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ABSTRACT

Community schools were created in Ohio to provide additional educational options for children in low-performing schools and to develop innovative teaching and management techniques that may be transferable to traditional public schools. In 1997 the Ohio General Assembly required the Legislative Office of Education Oversight (LOEO) to evaluate the community school initiative in Ohio. This is the fourth in a series of five reports that evaluate the ongoing implementation of community schools and their impact on student academic achievement and on Ohio's education system as a whole. This fourth report consists of two volumes. Volume I contains LOEO's findings, conclusions, and recommendations. Part 1 of Volume I contains background information on community schools and a description of the studies used for the report. Part 2 discusses implementation factors and issues of community schools. Part 3 addresses the financial impact of community schools on Ohio's educational system. Part 4 discusses community schools' impact on educational programming, marketing, and customer service. Part 5 contains conclusions and recommendations and a discussion on the impact of community schools in Ohio. Each part contains a summary. To supplement the text are 11 exhibits (tables, graphs, and maps). Also included are 11 appendices. (WFA)

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Community Schools in Ohio: Implementation Issues and Impact on Ohio's Education System. Volume I.

Legislative Office of Education Oversight

April 2003

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Community Schools in Ohio: Implementation Issues and Impact on Ohio's Education System

Volume I

LEGISLATIVE OFFICE OF EDUCATION OVERSIGHT
Columbus, Ohio
April 2003

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The Legislative Office of Education Oversight (LOEO) serves as staff to the Legislative Committee on Education Oversight. Created by the Ohio General Assembly in 1989, the Office evaluates education-related activities funded by the state of Ohio. This LOEO report describes the implementation of community schools and examines their impact on Ohio's education system. Volume I includes LOEO's findings, conclusions, and recommendations. Volume II describes the overall characteristics of community schools and provides individual profiles of 88 schools that operated during the 2001-2002 school year. *Conclusions and recommendations in this report are those of the LOEO staff and do not necessarily reflect the views of the Committee or its members.*

This report is available at LOEO's web site: http://www.loeo.state.oh.us

Summary

Community Schools in Ohio: Implementation Issues and Impact on Ohio's Education System

Background

The number of community schools has increased from 15 in 1998 to 133 by December 2002.

Community schools were created in Ohio to provide additional educational options for children in low-performing schools and to develop innovative teaching and management techniques that might be transferable to traditional public schools.

One of the central tenets of the community school movement is more autonomy (fewer regulations) in exchange for greater accountability for student achievement. The specifics of each school's accountability plan are included in a contract with its sponsor. A community school can be closed if it fails to meet these contractual agreements.

Ohio law allows two types of community schools: "start-up" schools that are newly created, and "conversion" schools that can be a classroom, a wing of a building, or an entire public school that has been transformed into a community school.

Community school enrollment has grown from approximately 2,000 to over 33,000.

Between September 1998 and December 2002, the number of community schools in Ohio increased from 15 to 133. The number of students grew from approximately 2,000 to over 33,000 and the number of community school sponsors increased from two to 15. Twelve sponsors are individual school districts. Thirteen schools have closed or suspended operations since the initiative began.

In general, community schools tend to be smaller in size, enroll more elementary and minority students, and serve fewer special needs students than traditional public schools.

In December 2002, the 124th General Assembly made substantial changes to the community school initiative in Substitute House Bill 364. Some of these changes included limiting the total number of start-up community schools that can operate statewide to 225 until July 1, 2005. This cap does not apply to conversion schools.

LOEO's community school reports

In 1997, the 122nd General Assembly required the Legislative Office of Education Oversight (LOEO) to evaluate the community school initiative in Ohio. Through a series of five reports, LOEO is evaluating the ongoing *implementation* of community schools as well as their *impact* on both student academic achievement and Ohio's education system as a whole.

This report describes the implementation of community schools and assesses their impact on Ohio's education system.

Focus of this report. This is the fourth of the five community school reports and consists of two volumes. Volume I includes LOEO's findings, conclusions, and recommendations.

Volume II describes the overall characteristics of community schools and provides individual profiles of 88 schools that operated during the 2001-2002 school year.

The statutory language for this report mandates that LOEO assess the overall "assets" and "liabilities" of community schools as an educational "choice" option, their impact on academic achievement, and "any detrimental impacts" they have on the State education system or on individual school districts.

In addition, LOEO studied the ongoing implementation issues surrounding the opening and operation of community schools, including their relationship with school districts.

Findings and Recommendations

Educational choice and academic achievement

LOEO concludes that community schools provide additional educational options for children.

LOEO concludes that one asset of community schools is that they provide additional educational options for children, as evidenced by the increase in the number of community schools and their student enrollment over the past four years.

Preliminary results indicated that community schools had not demonstrated better academic performance than similar traditional public schools.

LOEO reported in *Community Schools in Ohio: Preliminary Report on Proficiency Test Results, Attendance, and Satisfaction* (May 2002) that parents of students enrolled in the first 15 community schools were satisfied with their schools. The nine schools with proficiency test data had not demonstrated better student academic performance than similar traditional public schools. These findings

are preliminary and LOEO will have a larger sample of longer operating schools to examine in its fifth community schools report.

Experience in education and business is important to the successful implementation of community schools.

Implementation

Factors for successful implementation. LOEO found that some factors are important to the success of community schools. These include having:

- Administrators with a background in education, including teaching and administration, and
- Staff and a governing board with experience in business and finance, legal matters, fundraising, serving students with special needs, and working with non-profit agencies.

Many community school administrators indicated that they continue to struggle with the same implementation difficulties that the first 15 schools experienced.

Ongoing implementation difficulties. Administrators of many of the 92 community schools that operated during the 2001-2002 school year indicated that they continue to struggle with the same implementation difficulties that the first 15 schools experienced. These difficulties include:

- *Finances*;
- Acquiring and maintaining *adequate facilities*;
- *Transporting students*; and
- Accessing and using *technical assistance*.

Obtaining additional funds makes operating a community school less difficult.

Finances and facilities. Community schools are eligible for state and federal funds for operating expenses. Community school administrators and other stakeholders reported that obtaining additional funds, beyond what the state provides, makes operating a school less difficult. Two-thirds of the 63 community schools that were audited finished the 2000-2001 school year with a financial surplus. However, half of these schools experienced difficulty keeping the appropriate fiscal records.

Community schools must use basic state aid for both operating and facility expenses.

Unlike traditional public schools, community schools must use basic state aid for both *operating* and *facility* expenses. Community schools typically spend 6.4% of their annual operating budget for lease or mortgage costs. Administrators stated that the cost for making required renovations to meet school building codes is an added expense. However, LOEO was unable to isolate these costs.

LOEO could not conclude whether more overall funding is needed for community schools.

It could be argued that community schools need additional funding for facility expenses. However, given the difficulty LOEO experienced obtaining accurate and complete spending data, it seems premature to assess or report just how necessary such funding might be. Although some community schools identified finances as a problem, LOEO could not conclude whether more overall funding is needed for community schools.

Transportation. School districts are required by law to provide transportation for community school students. The ease or difficulty that community schools experienced having their students transported appeared to depend largely on their relationship with the local school district. Problems were fewer when the relationship was positive. Conversely, problems were greater when there was tension between a community school and the school district.

Community school administrators who have a background in education appeared to need less technical assistance.

Technical assistance. LOEO found that all community school administrators need some assistance in learning to open and operate a public school. However, those with a background in education administration and teaching appeared to need less.

There are several sources of information and assistance for community schools, including the Ohio Department of Education's (ODE) Office of Community Schools, the Lucas County Educational Service Center (LCESC), and other regional service providers. However, some regional service providers indicated that they do not receive clear guidance from ODE concerning their roles in serving community schools.

Community school administrators had various perceptions regarding the quality and usefulness of the technical assistance offered. However, some regional service providers felt that community school staff lack basic knowledge in areas such as school accounting, special education rules and regulations, and Education Management Information System (EMIS) reporting. Many community school administrators seem to be unaware of the technical assistance that is available, choose not to access current sources, or are unable to assess their own information needs.

Some implementation issues are unique to a community school's distinct student population or instructional approach.

It is unclear to LOEO if there is a lack of quality technical assistance for community schools. A larger question is whether technical assistance alone should be expected to provide all the information and services necessary to open and run a school.

Special implementation issues. Some community schools have implementation issues that are unique to their distinct student populations or instructional approaches. For example, students who enroll in electronic community schools receive their primary instruction in their home via computer networks. Because on-line schooling in Ohio is relatively new, state and school policies and practices have to be developed. Some community schools that are designed to specifically serve students with special needs must be well-versed in special education rules, regulations, procedures, and best practices.

Recent policy changes. The 124th General Assembly made many changes through Substitute House Bill 364 that address community school implementation issues. In addition to the changes made by this bill,

LOEO recommends that the General Assembly:

- Require community school sponsors to have knowledge and expertise regarding business matters.

LOEO recommends that ODE:

- Coordinate efforts with and among regional service providers and clearly define their roles in providing services to community schools. These services may include business matters, curriculum development, assessing and providing services to students with special needs, and professional development.

LOEO recommends that community school sponsors:

- Ensure that community school staff or board members have access to expertise in the areas of education, business and finances, non-profit agencies, serving students with special needs, and legal matters.

- Are knowledgeable about and use existing sources of technical assistance.

LOEO recommends that community schools:

- Are knowledgeable about and use existing sources of technical assistance.

- Comply with EMIS reporting requirements by including all facility costs (i.e., mortgage, lease, and renovations) as part of their financial reporting to ODE and the Auditor of State.

LOEO found that most community schools and some sponsors do not use annual reports as a tool of accountability.

Implementing accountability: annual reports

Each community school's annual report is intended by law to be one measure of accountability. However, LOEO found that most community schools and some sponsors do not perceive annual reports as a tool of accountability. Some schools have difficulty producing these reports in a complete and timely manner.

The statutory language allows various interpretations of what needs to be included in community school annual reports.

As a tool of accountability, the annual report must present a comprehensive picture of how the school is meeting the goals stated in its contract.

For an annual report to be a tool of accountability to parents, sponsors, policymakers, and the general public, it must present a comprehensive picture of a school's financial status, student academic performance, and its activities and progress in meeting the goals stated in its contract. Therefore,

LOEO recommends that the General Assembly:

- Strengthen the legislative language for annual reports to specifically require that they include:
  - Itemized revenues and expenditures;
  - An explanation of financial status and strategies for maintaining financial stability;
  - Results of the Ohio Proficiency Test and alternative assessments;
  - A description of the extent the community school achieved its goals regarding student achievement and strategies for improvement; and
  - A description of how the community school has achieved other goals stated in the contract with its sponsor.

The greatest impact of community schools on school districts has been financial.

- Clarify consequences of late or incomplete reports.

- Require community school sponsors to:
  - Assist community schools in defining, measuring, and reporting on the goals stated in their contracts;
  - Provide feedback to community schools regarding the content of their annual reports for purpose of improvement; and
  - Use these reports, in addition to other data, to evaluate community schools for contract renewal.

Impact of community schools

Financial impact. LOEO concludes that the greatest impact of community schools on school districts has been financial. Community schools draw students from over 1,300 school buildings. Two maps at the end of this summary illustrate the location of the buildings that are sending students to community schools.

Most districts claim they are not able to reduce costs proportionately on a year-to-year basis as a result of state funds transferred to community schools.

Over 80% of Ohio school districts transferred some amount of state funds to community schools during the 2001-2002 school year. A total of over $290 million has been deducted from traditional school districts during the first four years of the initiative and transferred to community schools. School districts perceive this "loss" as a liability. Because the transfer of funds is by design, community school advocates do not see it as a liability.

Most school districts claim they are not able to reduce costs proportionately on a year-to-year basis as a result of state funds transferred to community schools. Additionally, the unpredictable yearly increase in this transfer of state funds due to not knowing how many community schools will open during the upcoming year has created budgeting and planning problems for school districts.

The unpredictable yearly increase in the transfer of state funds has created budgeting and planning problems for school districts.

School districts also identified additional costs that result from community schools that are difficult to quantify, such as transportation and personnel costs. Districts perceive these costs as an additional liability of community schools. Some districts that receive no base cost funding from the state are losing other state funds to community schools. Regional

service providers have incurred minimal costs to provide services to community schools.

Since 1998 a cumulative total of $20 million of state funding has been appropriated for community schools.

In terms of the state as a whole, since 1998 a cumulative $20 million of state funding has been appropriated for ODE and LCESC services for technical assistance and start-up grants for community schools. In addition, incorporating community school students into the system who were previously enrolled in private or home schools has increased the overall cost to the state by at least $9 million.

Including previously home-schooled and private school students into the system has increased the overall cost to the state by at least $9 million.

By design, districts will continue to lose state funding as long as students leave for community schools. However, this results in strained relationships between traditional and community schools. If the General Assembly wants to reduce budgeting and planning difficulties for traditional school districts, and therefore the tension between them and community schools,

LOEO recommends that the General Assembly:

- Establish a deadline in early spring when community school contracts must be finalized and signed for the upcoming school year.

The competition for students and state funds encourages some school districts to emphasize marketing and customer service.

- Require community schools, as soon as they sign a contract, to contact the school districts from which they will draw students with information of when they plan to open and their anticipated student enrollment.

In addition, one policy option might help reduce the tension between community schools and traditional school districts.

Strained relationships may hinder the transfer of innovative practices from community to traditional schools.

Policy option:

- The General Assembly consider providing additional funding to school districts to offset the additional costs of transporting community school students.

Electronic community schools may be having an impact on the educational programming in school districts.

Impact on programming. LOEO found that the relationships between community schools and school districts ranged from positive in some districts to "non-existent" and even "hostile" in others. The competition between traditional and community schools for students and funding encourages some school districts to place a greater emphasis on marketing and customer service. In this case, community schools are an asset. However, a strained relationship may hinder the transfer of innovative teaching and management approaches to traditional public schools.

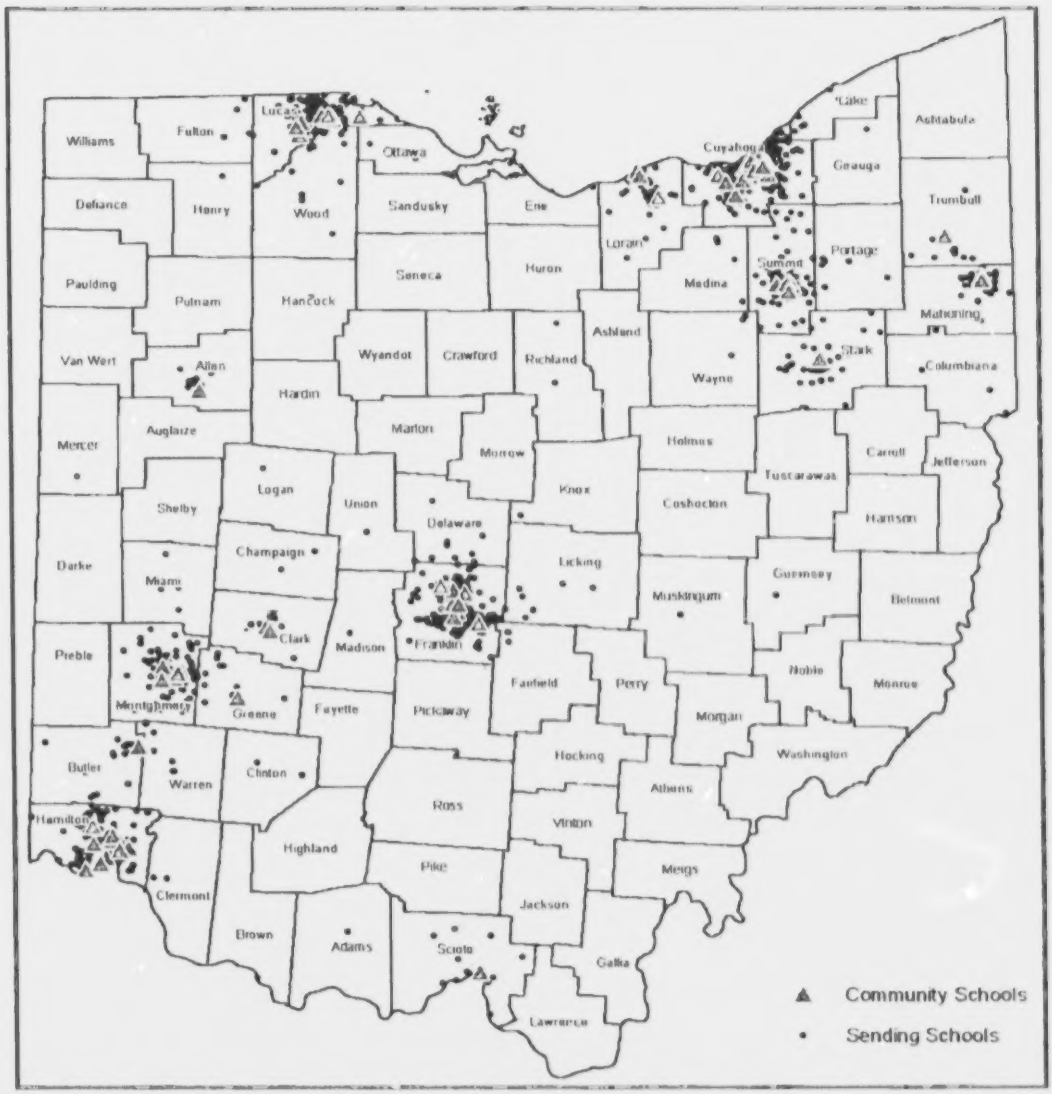
However, the Local Report Card has had the greatest impact on school districts' efforts to raise student achievement.

Possibly the greatest impact of community schools on school districts has been the increased interest by districts in sponsoring electronic community schools. However, most large urban school districts claim that the Local Report Card, not community schools, has had the greatest impact on their education programs.

Volume I of this report presents LOEO's findings, conclusions, and recommendations regarding community school implementation issues and their impact on Ohio's education system.

Volume II of this report contains state and regional maps of community schools and the schools from which they draw their students, referred to as "sending schools." **Volume II** also provides a statewide description of community schools by size, grade level, and the proportion of minority and special needs students they serve, as well as detailed profiles of 88 community schools that operated during the 2001-2002 school year.

Community and Sending Schools*
2001-2002



*Does not include two electronic community schools

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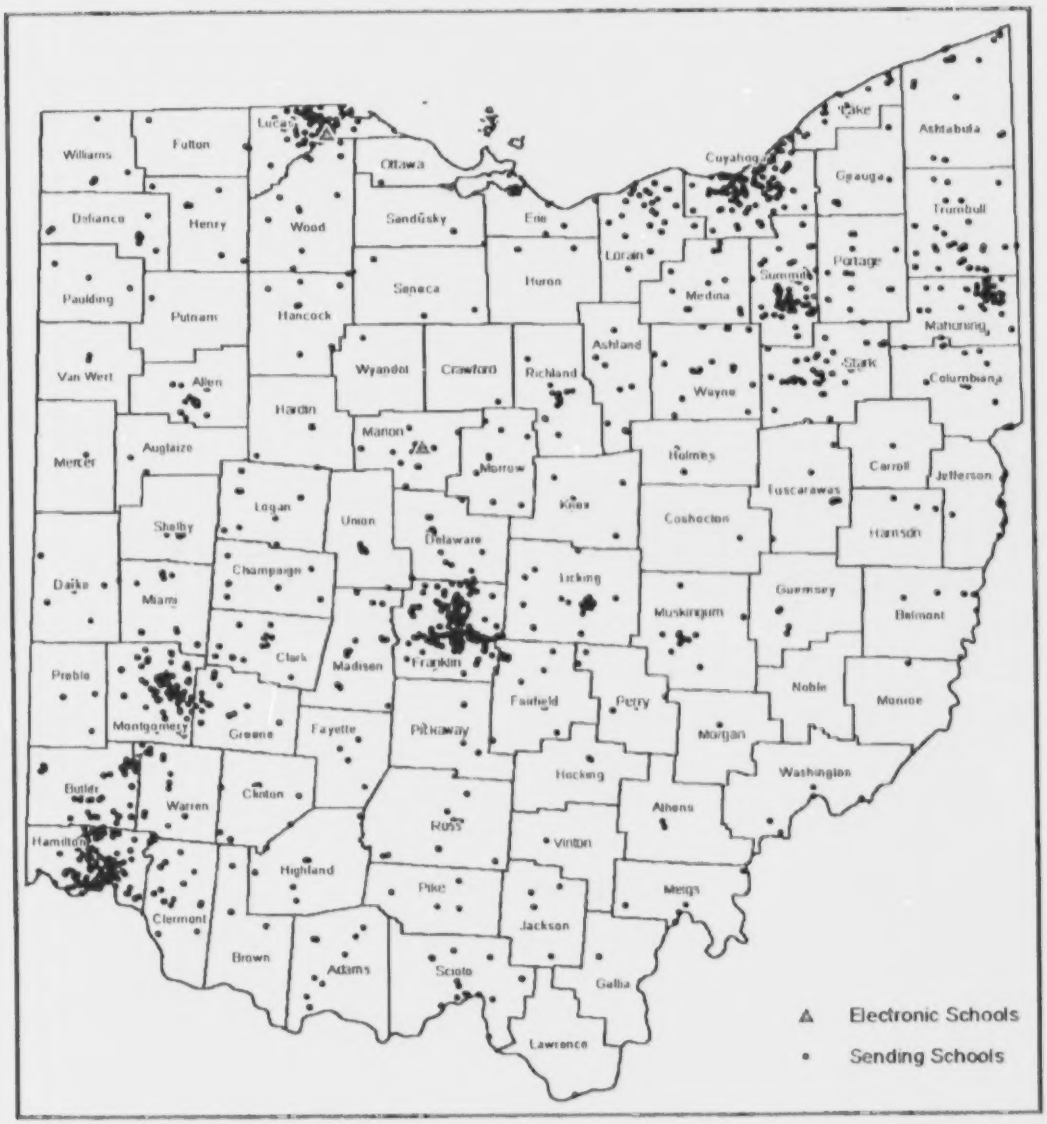
Electronic Community and Sending Schools
2001-2002



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Community Schools in Ohio:
Implement Issues and Impact on Ohio's Education System

Volume I

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Chapter I
Introduction

This Legislative Office of Education Oversight (LOEO) report describes the implementation of community schools and examines their impact on Ohio's education system.

Background

Charter schools, known as "community schools" in Ohio, are state funded public schools that are free of charge to parents and students. Community schools were created to provide additional educational options for children in low-performing schools and to develop innovative teaching and management techniques that might be transferable to traditional public schools.

In addition, some proponents argue that the competition for students and the state funding that follows them to community schools encourage traditional public schools to work harder at improving student achievement.

One of the central tenets of the community school movement is more autonomy (fewer rules and regulations) in exchange for greater accountability for student outcomes. The specifics of each school's accountability plan are included in a contract with its sponsor. A community school can be closed if it fails to meet these contractual agreements.

History and current status

In June 1997, the 122nd General Assembly first established community schools in Amended Substitute House Bill 215 as a "pilot" program in Lucas County. The bill allowed two types of community schools: "start-up" schools that are newly created or "conversion" schools that can be a classroom, a wing of a building, or an entire public school that has been transformed into a community school. While start-up schools were allowed only as part of the pilot program, the bill allowed *any* school district to sponsor conversion community schools.

In August 1997, the 122nd General Assembly passed Amended Substitute Senate Bill 55 which expanded community schools beyond the pilot program by permitting start-up community schools in any of the large urban, or "Big Eight," school districts in Ohio. The 123rd General Assembly expanded the community school initiative once again in June 1999 to include all of the 21 large urban school districts in Ohio, as well as any district determined to be in "academic emergency." Appendix A presents a timeline of legislation that has shaped the community school initiative.

In Fall 1998, 15 community schools opened. Five of these were located in the Lucas County pilot area and ten schools were located in six of the Big Eight school districts. By November 2002, there were 127 community schools in 22 of the 612 school districts in the state. One month

later, these numbers again increased to 133 schools in 26 districts.

Exhibit 1 illustrates the growth in the number of Ohio community schools, which is an increase of almost 800% since the first 15 opened in 1998. The number of students enrolled in community schools has increased from approximately 2,000 during the 1998-1999 school year, to over 33,000 students by December 2002.

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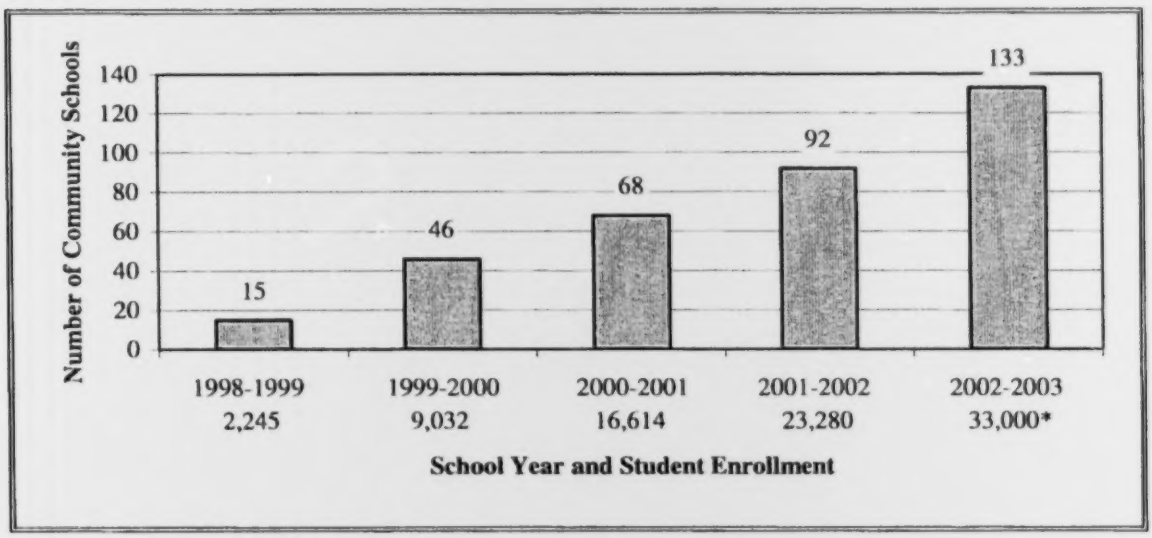
Exhibit 1
Growth of Ohio Community Schools and Student Enrollment



*Estimated enrollment for 2002-2003.

The Legislative Office of Education Oversight (LOEO) refers to the first 15 schools that opened during the 1998-1999 school year as "first generation" community schools. The schools that followed are referred to as "second" (1999-2000), "third" (2000-2001), "fourth" (2001-2002), and "fifth" (2002-2003) generation schools based on the school year they began operation.

Characteristics of community schools. In general, the first four generations of community schools tend to be smaller in size and serve more elementary students then traditional public schools (52% vs. 44%). In addition, community schools serve more minority students than their school district counterparts (69% vs. 52%), but serve fewer special needs students than school districts state-wide (8% vs. 13%). Furthermore, approximately 80% of community school students were previously educated at traditional public schools.

Most community schools consist of traditional classrooms. A majority of their students live in, or near, the school district where the community school is located. However, during the 2000-2001 school year,

the Electronic Classroom of Tomorrow (eCOT) opened as the first electronic community school. Students who are enrolled in this school live throughout the state and receive instruction within their homes, primarily via an intranet connection with their school. As of December 2002, 11 additional electronic community schools have since opened.

Since the 1998-1999 school year, 13 community schools have closed or suspended operations. The reasons vary, including poor student academic performance, non-compliance with contract provisions, declining student enrollment, and financial difficulties.

Sponsorship

Similar to charter schools in other states, each community school operates according to a contract with a sponsor. As mentioned, these contracts contain an accountability plan with student performance goals. Currently, the duration of these contracts ranges from three to five years. The number of community school sponsors has increased from two, during the 1998-1999 school year, to 15 by December 2002. Twelve sponsors are individual school districts. Exhibit 2 shows the number of community schools by sponsor.

Exhibit 2
Number of Community Schools by Sponsor
2002-2003 School Year

Sponsor	Number of Community Schools
State Board of Education	102
Lucas County Educational Service Center	9
University of Toledo	7
Cincinnati City School District	3
Akron City School District	2
Dayton City School District	1
Elida Local School District	1
Fairborn City School District	1
Lancaster City School District	1
London City School District	1
Marion City School District	1
Mt. Gilead Exempted Village School District	1
Reynoldsburg City School District	1
Toledo City School District	1
Tri-Rivers Joint Vocational School District	1
Total	**133**

Governing board

Ohio law mandates that each community school have a governing authority to oversee the school's operation and make decisions regarding school policies and legal matters. Unlike members of traditional public school boards, community school board members are not elected to their positions. Instead, they are selected according to the policies and procedures set forth in the school's contract.

Community schools are required to follow all public meeting and open records laws. The nature and structure of community school governing boards have been similar to that of other states with charter schools. Until recently, Ohio law did not specify the number of members on a community school's governing board. The law also allowed board members to be employed by the school.

Accountability

As noted, one of the central tenets of the community school movement is more autonomy (fewer rules and regulations) in exchange for greater accountability for student outcomes. In Ohio, five methods ensure that community schools remain accountable to parents, sponsors, policymakers, and the public at large. These include:

1. Parental choice;
2. Annual reports produced by community schools;
3. Financial audits conducted by the Auditor of State;
4. Contract renewal, termination, suspension, and probation by sponsors; and
5. Annual Local Report Cards produced by the Ohio Department of Education (ODE) after two years of operation.

****

LOEO Community School Studies

In 1997, the 122nd General Assembly required LOEO to evaluate the community school initiative in Ohio. Through a series of five reports, LOEO is evaluating the ongoing *implementation* of these schools as well as their *impact* on both the academic achievement of community school students and on Ohio's education system as a whole. Appendix B presents the Ohio Revised Code language regarding the LOEO studies.

In its first and second reports, LOEO examined the implementation issues surrounding the opening and operation of the first two generations of community schools. The third report studied the preliminary impact study of the first 15 schools on academic achievement and student attendance, as well as the satisfaction of parents, teachers, and students. LOEO did not make recommendations in the third report.

This report is the fourth of the five reports. In the fifth report, LOEO will again examine the academic impact of community schools, as well as measure student attendance rates and parent satisfaction. This final report will make

recommendations regarding the future of the community schools initiative in Ohio.

Appendix C presents LOEO's recommendations from the first two community school reports. It also describes subsequent legislation that was passed to address some of these implementation issues.

Scope of this fourth report

This fourth report continues to describe the implementation of community schools and assesses the changes to Ohio's education system as a result of this initiative. The focus of this report is contained in Section 50.39 of Am. Sub. H.B. 215:

"...By December 31, 2002, the legislative office of education oversight shall complete an evaluation of the assets and liabilities to the state's system of educational options that result from the establishment of community schools under this act. The evaluation shall at least include an assessment of any advantages to providing a greater number of education choices to Ohio parents, any detrimental impacts on the State education system or on individual school districts, and the effects of attending community schools on the academic achievement of students."

Based on the legislative mandate, LOEO addressed the following study questions:

1. Are there any advantages to providing a greater number of educational choices to Ohio parents, including raising student academic achievement? If so, what are they?

2. What are the forces that facilitate or impede the continuing progress and operation of community schools?

3. What are some of the possible effects that community schools have on traditional public schools and school districts?

4. What are some of the possible effects that community schools have on Ohio's education system at the state and regional levels?

The design of the community school initiative promotes competition with traditional schools for students and financial resources. At the same time, it is intended to encourage collaboration between community and traditional public schools in order to transfer innovation from one setting to the other. LOEO also studied the relationship of community schools with traditional public school districts and explored how this relationship either fosters or inhibits the goals of the initiative.

Methods

To complete this study, LOEO conducted:

1. Site visits and telephone interviews with a sample of 26 first through fourth generation community school administrators.

2. Site visits and telephone interviews with administrators in 19 traditional school districts. All community schools were located in these districts as of Fall 2001.

3. Telephone interviews with representatives from 17 regional service providers, including five Educational Service Centers, four Special Education Regional Resource Centers, five Regional Professional Development Centers, and three Data Acquisition Sites.

4. Face-to-face and telephone interviews with representatives from the following:

   - The State Board of Education;
   - ODE's Office of Community Schools, Office of Exceptional Children, and Office of School Finance;
   - The Auditor of State;
   - The Ohio Education Association;
   - The Ohio Federation of Teachers;
   - The Ohio School Board Association;
   - The Ohio Charter School Association; and
   - The Ohio Community School Center.

5. A financial analysis of current state funding for community schools and its impact on Ohio's education system.

6. An analysis of sending school data. A sending school is a traditional public school building, private school, or a "home school" that each community school student previously attended. For kindergartners, the sending school is the school a student would have attended. The sending school data included the number of students by grade level and the building location by school district.

7. Document reviews, including community school annual reports, Auditor of State reports, financial data from ODE's Education Management Information System (EMIS), media articles, and the research literature. A selected bibliography is presented in Appendix D.

Report organization

LOEO has organized this report into two volumes. Volume I consists of the following chapters:

- Chapter I provides an historical overview of community schools, the legislative mandate for this fourth study, and LOEO's methods;
- Chapter II describes the advantages of community schools as a choice option, the preliminary findings regarding student academic achievement, and ongoing implementation issues;
- Chapter III describes the financial impact of community schools on Ohio's education system;
- Chapter IV describes the educational programming impact of community schools; and
- Chapter V presents LOEO's conclusions and recommendations regarding the assets and liabilities of the community school movement and the extent to which it is accomplishing its goals.

Volume II, *Overall Characteristics and Profiles of Individual Schools,* provides a statewide description of community schools by size, grade level, and the proportion of minority and special needs students they serve. It includes regional and state maps that illustrate the location of community schools and their sending schools.

Volume II also provides detailed profiles of the 88 first through fourth generation community schools that operated during the 2001-2002 school year and

remained open during the 2002-2003 school year. Four schools closed during this same school year and therefore are not included.

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New Developments Regarding Community School Policy

In December 2002, the 124th General Assembly made substantial changes to the community school initiative in Substitute House Bill 364. This bill was signed into law January 2003. For example, the bill:

- Expands community schools to school districts that are in "academic watch";
- Limits the number of "start-up" community schools that can be opened statewide to 225 until July 1, 2005;
- Eliminates the authority of the State Board of Education to sponsor community schools and allows existing State Board-sponsored schools two years from December 2002 to find new sponsors;
- Mandates new roles for the Ohio Department of Education, which include:
  - Being the statewide agency that oversees the entire community school program;
  - Approving and overseeing sponsors;
  - Providing technical assistance to persons interested in opening a community school, to sponsors, and to community schools for development and start-up activities; and
  - Issuing an annual report to the Governor and General Assembly on the academic effectiveness, legal compliance, and financial condition of community schools.
- Permits all Educational Service Centers, as well as the Boards of Trustees of the 13 state universities or their designees, to sponsor community schools;
- Permits a sponsor to declare a community school on "probationary status" under certain conditions rather than suspend the operation of the school or terminate its contract with the school; and
- Specifies that each start-up community school must have a governing board of at least five individuals who are not owners or employees, or immediate relatives of owners or employees, of any for-profit firm that operates or manages a school for the governing board. The bill also prohibits anyone who owes the state money from serving on a school's governing board or operating a school under contract with a governing board.

Additional changes that Sub. H.B. 364 made to the community school initiative are referenced throughout this report. A list of all changes is presented in Appendix A.

Chapter II
School Choice and Community School Implementation

This chapter explores possible advantages of providing community schools as an educational choice for parents. It also describes LOEO findings on implementation issues that affect the opening and operation of community schools.

Educational Choice and Academic Achievement

One purpose of community schools is to provide children in low-performing schools with an educational option. Community schools provide a choice for parents who do not want their child to remain in their current school district or who cannot afford private school tuition.

Advocates argue that community schools may provide a better learning opportunity for a child who does not perform well in a traditional school setting or who requires a specialized learning environment. They also claim that parents may become more involved in their child's learning if they have a sense of ownership due to exercising "choice."

While LOEO does not have data regarding all these claims made by advocates regarding the advantages of community schools, LOEO did find that Ohio's community schools do provide an educational option to a growing number of parents. As presented in Chapter I, the number of students enrolled in community schools has increased from approximately 2,000 during the 1998-1999 school year to an estimate of more than 33,000 for the 2002-2003 school year.

A satisfaction survey conducted in 2001 for LOEO's third report found that, overall, the majority of *both* community and traditional school parents were satisfied with their schools. However, community school parents were more satisfied.

The third report also found that many parents decided to enroll their child in a community school because they believed their child would receive more personalized and individual attention from teachers and perform better academically. Once their child was enrolled, over 90% of community school parents felt that teachers kept them informed about their child's progress and over 80% were satisfied that their child received sufficient individual attention from teachers. Over 90% of community school parents indicated that their schools have high standards for students and over 80% graded their school an "A" or "B" for what the school expected of students academically.

Academic achievement

LOEO's third report, *Community Schools in Ohio: Preliminary Report on Proficiency Test Results, Attendance, and Satisfaction* (May 2002) examined scores for nine first generation schools that had proficiency test data. These scores were compared to those from traditional public schools with similar demographics. Overall,

community school students as a whole did not demonstrate better academic performance than students from similar traditional public schools.

LOEO's preliminary findings indicated that neither community schools nor similar traditional schools performed well on the 4th and 6th grade proficiency tests during the 1999-2000 school year, although traditional schools *as a group* outperformed community schools *as a group*. Of 20 possible *group* comparisons between community and traditional school students, 11 comparisons were statistically significant, indicating conclusive differences, and all 11 favored the traditional schools.

When LOEO compared each *individual* community school to a similar traditional school, the results were mixed. There were 155 possible comparisons across subject areas and grade levels. Two-thirds of these comparisons (101 of 155) were not statistically significant, indicating no conclusive differences could be found between community and traditional schools. For the remaining 54 statistically significant comparisons, 34 favored traditional schools and 20 favored community schools.

These preliminary findings use March 2000 proficiency test data from community schools that had been in operation for approximately two years. Due to the timing of the proficiency test reporting process through the Education Management Information System (EMIS), no additional test data were available for this fourth report. However, LOEO's fifth report will include results from a larger group of community schools with more years of test data.

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Community School Implementation

The growing number of community schools offers educational choice to more of Ohio's parents. LOEO found that there are some factors that are important to the successful operation of community schools. However, community school administrators reported that they continue to face implementation difficulties to opening and operating. Some of these difficulties are the same as those faced by the first 15 schools during the 1998-1999 school year. Community schools also continue to experience difficulties producing their annual reports, which serve as a primary tool of accountability.

To study these implementation issues over time, LOEO conducted face-to-face and telephone interviews with administrators at 26 of the 92 community schools that operated during the 2001-2002 school year. LOEO selected these schools because they represent each of the four generations and, therefore, have operated for various lengths of time. These schools also represent different sponsors (i.e., State Board of Education, Lucas County Educational Service Center, and Cincinnati City School District).

In addition to community school administrators, LOEO interviewed representatives from 23 state agencies, organizations, and regional service providers that work with community schools.

Beneficial Implementation Factors

Factors that are important for successful implementation

Based on documents from the Auditor of State, community school annual reports, and interviews with community school administrators and other stakeholders, LOEO found that some factors are important to the successful opening and effective daily operations of community schools.

For example, there appears to be less need for technical assistance for community school administrators who have significant experience in education and knowledge about business matters. Some community school administrators have previous experience working in a school district as a teacher or administrator.

These administrators have a better understanding of the complexities of operating a school and the available resources that offer assistance. Their needs and expectations for technical assistance differ from those community school administrators who have limited experience with the requirements for meeting school building codes, assessing and providing services for students with special needs, designing and implementing a curriculum, and accessing state and federal education grants.

The Auditor of State conducted audits for 63 of the 68 community schools that operated during the 2000-2001 school year, including some schools that have since closed. LOEO found that community schools that experienced the fewest problems with financial bookkeeping had a management company or outside agency handle their finances or had staff or governing board members with experience in business and finances.

Factors important to the successful opening and effective daily operations of community schools include:

- School administrators with a background in education, including teaching and administration; and
- Staff or governing board members with substantial experience in business and finance, accounting, fundraising, working with non-profit agencies, and legal matters.

Factors that help implementation

LOEO also found that community schools with the following characteristics experienced fewer implementation difficulties:

- Connections to community resources, such as university faculty, city libraries, and the local YWCA;
- Individuals volunteering time and donating items, such as carpentry work, tutoring, and fundraising; and
- Success at securing additional sources of funding, such as corporate donations and grants.

Ongoing Implementation Difficulties

Community schools, regardless of when they opened, indicated that they experienced difficulties with the following areas:

- *Finances*;
- Acquiring and maintaining *facilities*;
- *Transporting students*; and
- Accessing helpful *technical assistance*.

These areas are similar to those presented in LOEO's *Community Schools in Ohio: Second-Year Implementation Report* (April 2001) as ongoing barriers to opening and operating a community school.

Finances

Most community school administrators indicated that one of the greatest challenges to opening and operating a community school is finances. To understand this challenge, LOEO explored community school funding, spending, and bookkeeping.

Although there were 68 community schools operating during the 2000-2001 school year, financial data were available from the Local Report Cards for only 25 schools. Community schools do not receive a Local Report Card from ODE until after two full years of operation and not all schools provided useable data. Financial data were also available from Auditor of State audits of 63 community schools.

Community school funding. Community schools are eligible for state and federal funds for operating expenses. Specifically, state funds include:

- Base cost funding ($4,949 per pupil for fiscal year 2003);
- Special education weights;
- Gifted student units;
- Disadvantaged Pupil Impact Aid (DPIA); and
- Career-technical education weights (vocational education).

Federal funds include:

- Title I (compensatory education);
- Title II (professional development);
- Title IV (safe and drug-free schools);
- Title VI (innovative education strategies);
- Title VI B (education for children with disabilities); and
- School lunch and breakfast programs.

When a student enrolls in a community school, the Ohio Department of Education (ODE) deducts these funds from the student's district of residence and transfers them to the community school.

In 2001, the 124th General Assembly in Amended Substitute House Bill 94 added career-technical education weights to the community school transfer amount. Community schools must go through the same application process as traditional public schools in order to receive career-technical education funds. Nine community schools were approved to receive these funds in fiscal year 2002 but did not actually receive them until fiscal year 2003.

Although community schools receive some state funds for *operating* expenses,

they do not have access to *capital* funding to use for facility costs. School districts can access local tax dollars from bond issues to build or renovate their schools. Lower wealth districts also have access to state funding for buildings through the Ohio School Facilities Commission. Community schools, however, must use their operating budgets to pay ongoing leases or mortgages and for renovations needed to meet school building codes.

In addition, unlike traditional public school districts, community schools are not eligible for some state funding, including gap aid and parity aid.

Community schools do receive state start-up funds ($50,000 for each of the first four generation schools, $25,700 for fifth generation schools). Some of these dollars can be used for facility expenses. In addition, community schools were able to apply for an additional $100,000 in a Federal Charter School Sub-Grant. That amount has increased to $450,000 over three years to cover implementation costs.

Community school spending. Of the 26 community school administrators interviewed, 18 indicated that basic start-up costs are expensive, especially for renovations to meet local school building codes, employee health benefits, books, furniture, and other needed equipment and supplies. These administrators often feel that there are not enough remaining funds to offer competitive salaries for teachers. One school administrator expressed that "insufficient funding" is causing her school to be in "financial crisis."

In response to these claims, LOEO attempted to examine the per-pupil spending of community schools and compare it to that of traditional public school districts. For this analysis, useable report card data were available for 25 schools from the 2000-2001 school year.

LOEO found a wide variation in per pupil spending across these 25 community schools, $4,340 to $30,230. It is not surprising that the three schools designed exclusively for students with special needs would have much higher spending, given their smaller teacher to student ratio, specialized instructional approach and curriculum, and need for special equipment.

After removing these three special needs schools, the per-pupil spending still ranged from $4,340 to $13,770 for the remaining 22 schools. Although such a broad range makes it difficult to describe "typical" per-pupil spending for these 22 community schools, the median (middle) amount is $6,801.

In contrast, the Big Eight districts spent from $7,860 to $9,592 per pupil for operating costs, with a median of $9,131. Based on these data, it appears that community schools are spending less per pupil than their Big Eight counterparts. In addition, state and federal start-up dollars can temporarily inflate per pupil spending for most community schools. When this money is gone, the per-pupil spending gap increases.

However, community schools are not responsible for student transportation costs. Furthermore, community schools enroll a higher proportion of elementary age students than traditional schools. During the 2001-2002 school year, a majority (52%) of community school students were enrolled in grades kindergarten through five, compared to only 44% statewide. Only 22% of

community school students were high-school age compared to 33% statewide. The cost of educating elementary students can be 20%-30% less per pupil than that for high school students.

On the other hand, the community schools' per pupil spending figure includes their *facility* costs. For traditional school districts, resources for facilities come from a separate capital budget.

Based on the Auditor of State reports for the 2000-2001 school year, LOEO found that 63 community schools spent between 1% and 26% of their operating expenditures on rent or lease payments, with a median amount of 6.4%. Additionally, many schools had building renovation costs. However, given the available data, LOEO could not consistently identify the exact costs for renovations. Appendix E lists the total per pupil expenditures of the 25 community schools and the Big Eight school districts for fiscal year 2001.

Another way to examine community school spending is to compare it to what these schools receive from state funding. Local Report Card data for 25 schools revealed that most of these community schools are spending approximately $1,000 more per pupil than what they receive in state funding. Exhibit 3 provides the comparison.

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Exhibit 3
Community School Expenditures Per Pupil Compared to
State Revenue Received Per Pupil
Fiscal Year 2001
N=25*

	Total Expenditures Per Pupil	State Revenue Received Per Pupil	Total Expenditures Minus State Revenue
Average	$9,203	$7,766	$1,437
Median	$7,159	$5,747	$1,036

* Includes spending of three special needs schools

Additional data from the 63 audits indicated that 55 community schools spent a median of $224,232 beyond what they received from the state as basic aid, DPIA, and special education funds. Almost every community school used additional funds, such as private donations, grants, and carry-over funds from the previous year to help cover operating costs.

The audit reports also indicated that approximately two-thirds of these schools ended the 2000-2001 school year with retained earnings (surplus carried over from previous years) and one-third ended with an accumulated deficit (deficit carried over from previous years).

However, LOEO found no pattern of whether schools ended the year with a

budget surplus or deficit from one year to the next. In addition, there was no relationship between a community school ending the year with a budget deficit or surplus and whether the Auditor of State cited it for bookkeeping problems.

Financial bookkeeping. As mentioned, the Auditor of State conducted audits for 63 of the 68 community schools that operated during the 2000-2001 school year, including some schools that have since closed.

To obtain reasonable assurance regarding whether a community school's financial statements are accurate, the Auditor of State performs tests of compliance with certain provisions of Ohio's laws and regulations, contract provisions, and grant requirements. The schools' internal controls over financial reporting are also considered. A "material weakness" is a condition of a school's internal controls that may result in, at a minimum, inaccuracies in financial statements and, most seriously, mismanagement of funds.

The audit reports found that approximately half of the 63 community schools were cited for non-compliance in reporting information, "material weaknesses" regarding financial management, or both. Examples of the most serious reported conditions included:

- 12 schools were cited for issuing debt beyond the fiscal year in which the money was borrowed and therefore were in violation of the Ohio Revised Code Section 3314.08;

- 10 schools did not have an accounting system for fixed assets;

- 8 schools did not document cash receipts, monthly bank reconciliation, purchase orders and invoices, or maintain payroll ledgers; and

- 6 schools were cited for failure to make payments to the School Employee Retirement System (SERS), State Teachers Retirement System (STRS), or both.

To help community schools with their finances, Sub. H.B. 364 requires them to maintain a five-year financial plan. The bill also requires that community school fiscal officers be licensed or complete no less than 16 hours of continuing education courses or workshops in the areas of accounting before a school can begin operating. Any fiscal officer who is not licensed must complete an additional 24 hours of continuing education coursework or workshops within one year after assuming the duties of fiscal officer and eight hours each subsequent year.

In addition, a representative of a school's sponsor must meet with the school's governing board to review the financial records of the school at least once every two months. The bill also requires ODE's Office of School Finance to deduct SERS and STRS payments before each community school receives its state funds.

To summarize, although some community school administrators described finances as a problem, LOEO found it difficult to conclude whether more funding is needed for community schools. Nonetheless, community school administrators and other stakeholders reported that obtaining additional funds, beyond what the state provides, makes operating a school less difficult.

Two-thirds of the audited schools finished the year with a budget surplus, although half of them experienced difficulty keeping the appropriate fiscal records. It could be argued that community schools need additional funding for facility expenses. However, given the difficulty in obtaining accurate and complete spending data, it seems premature to assess or report just how necessary such funding might be.

Facilities

For this report, LOEO visited 14 third and fourth generation community schools. These schools are housed in a variety of facilities. For example, one school is newly constructed of pre-fabricated modular units, while at least three others are housed in operating or converted churches. Two schools are located in remodeled spaces of former strip malls and another two schools are housed in former healthcare facilities. Because the mission of one school is to provide an experiential educational environment where students learn from persons of all ages, it was able to secure space in a facility that provides support services to the elderly.

Ten of the 14 schools that LOEO visited consist of traditional classrooms with desks, dry erase or chalkboards, bookcases, wall maps, and learning posters. One school is primarily made up of computer labs that are used for self-paced learning.

Ten of these 14 schools do not have libraries. However, school administrators at four schools indicated that their libraries are under construction. Eleven schools do not have gymnasiums or outside play areas. One of the 11 schools uses the facilities of the nearby Boys and Girls Club. Three schools, similar to traditional public schools, have multipurpose rooms that are used for recreational activities.

The accommodations for providing meals for students varied among community schools. For example, seven of the 14 schools that LOEO visited have an area designated as a cafeteria where food is provided by a vendor, while one uses the cafeteria and food facilities of the nearby Boys and Girls Club. The remaining six schools do not provide any type of food services. Students can bring a packed lunch to school and eat it at a designated time in a classroom.

Acquiring a facility. Based on visits to community schools and interviews with administrators, LOEO defines an "adequate" community school facility as a building that is affordable to purchase or lease, has enough space for instruction and administration, is structurally sound, currently meets or will meet school building codes pending some remodeling, is zoned for a school, and is accessible to students and staff with disabilities.

Of the 26 first through fourth generation community school administrators interviewed, 20 indicated that obtaining an adequate facility was difficult. The community school administrators also experienced trouble maintaining their school building and obtaining current and accurate information about local building codes that sometimes change. The costs for making required modifications deplete funds needed for daily operations.

Four of the 26 schools spent state funds for renovations and building improvements, but later moved to another facility and spent additional funds for the same purpose. The move was needed by

two schools to acquire more classroom space to add grade levels. The third school lost its lease on its first facility and the fourth school initially opened in a temporary facility and later relocated to a permanent building.

Interviews with community school advocates confirmed that acquiring and maintaining an adequate facility is difficult for community schools. National and other statewide studies identified this as a problem for charter schools.

Classroom Facilities Loan Guarantee Program. The 124th General Assembly in Am. Sub. H.B. 94 created the Community School Classroom Facilities Loan Guarantee Program. This program does not provide facility funds directly to community schools. Rather, it helps community school governing boards secure loans from a financial institution for the purpose of leasing, purchasing, or renovating a classroom facility.

Community schools must eventually repay the funds they borrow from a lender. However, through this loan program the state guarantees lenders that it will provide up to 85% of the principal and interest if a community school defaults on the loan. The program has made up to $10 million available for this purpose. The maximum state liability for any *one* loan is $1 million to purchase a facility or $500,000 for improvement loans.

The 124th General Assembly in Sub. H.B. 364 made changes to this loan program by permitting a community school to borrow funds for up to 15 years for any facility acquisition or improvement. The bill expanded the use of these funds to new building construction. To date, six community schools have been approved to participate in this program. Appendix F provides further detail regarding this loan program.

Am. Sub. H.B. 94 also requires school districts disposing of school buildings to first offer them to community schools. Although three school districts have leased buildings to community schools, to date, no district has sold a building to be used as a community school.

Transportation

Ohio law requires school districts to transport community school students to and from school in the same manner that it transports students attending its own district schools.

Of the 26 community school administrators interviewed, 14 indicated that adequate student transportation was not a problem. All 14 of these schools are located in Cleveland, Cincinnati, Columbus, and Youngstown. These school districts transport community school students using yellow buses and the community school administrators indicated that they have a good working relationship with the school districts' administration, and in some cases, the directors of transportation.

Administrators of the remaining 12 community schools indicated that providing adequate student transportation was a daily challenge. They attributed these difficulties to strained relationships with the local school districts. These 12 schools are located in Dayton, Toledo, and Akron.

One community school administrator explained that their students are not transported by the local school district using

yellow buses. Rather, the school district arranges for these students to receive bus passes for public transportation. Some community school parents are greatly concerned about the safety of their children when riding public transportation, especially if their children are young and must transfer buses on the way to and from school.

A community school administrator in another district said their students also receive public transportation bus passes in lieu of yellow bus transportation. This community school is in session year-round. The school district does not provide bus passes when district classes are not in session during the summer, and therefore this community school must make its own arrangements to transport students during the summer months at a cost to the school. However, school districts do not generally bus their own students who attend school during the summer.

Sub. H.B. 364 made some further changes to transportation policy for community school students. For example, this bill outlines the steps that a school district must take if payment is provided to community school students instead of transportation and includes a new section on transporting post-secondary enrollment option students. Appendix C includes a description of the changes Sub. H.B. 364 and Am. Sub. H.B. 94 have made to the student transportation requirements.

Technical assistance

LOEO found that all community school administrators need some amount of assistance in learning to open and operate a public school. As mentioned, there appeared to be less need for technical assistance for community school administrators who have significant experience in education and knowledge of business matters. There are several sources of information and assistance, including ODE's Office of Community Schools, the Lucas County Educational Service Center, and other regional service providers.

ODE's Office of Community Schools. In June 1999, Am. Sub. H.B. 282 required ODE to create the Office of School Options. It appropriated $400,000 each fiscal year for the Office to provide advice and assistance to all community schools, to sponsors of community schools, and any person interested in starting a community school.

Am. Sub. H.B. 94 increased this appropriation to $1.6 million in fiscal year 2002 and $1.7 million in fiscal year 2003. The Office of School Options was reorganized and became the Office of Community Schools in 2002.

The Office of Community Schools has provided a series of information workshops to all persons interested in opening a community school and additional information for schools currently operating. These workshops have been advertised via information packets, an Internet email listserv, website, and electronic newsletters that are sent to traditional and community schools. They address such topics as applying to become a community school, preparing a preliminary agreement, establishing a governing board, constructing a sponsor contract, and opening a community school.

While the Office of Community Schools tries to provide information to anyone inquiring about community schools, staff members indicated that their primary

responsibility is to provide technical assistance to the State Board-sponsored schools. Sub. H.B. 364 clarifies that the Office of Community Schools is to provide technical assistance to *all* community schools.

Lucas County Educational Service Center (LCESC). During the 1998-1999 biennium, the General Assembly appropriated $300,000 to the LCESC to provide services to community schools. In 1999, under Am. Sub. H.B. 282, the LCESC was no longer "required by law" to provide technical assistance to community schools or school boards sponsoring community schools. However, the General Assembly appropriated $200,000 to LCESC to provide technical assistance for the 2000-2001 biennium. Am. Sub. H.B. 94 appropriated another $200,000 for the 2002-2003 biennium.

Despite the lack of a mandate, LCESC continues to provide technical assistance to community schools. LCESC distributes a handbook to every proposed community school and provides a variety of workshops that address different stages of community school implementation. As a means of keeping community school administrators informed of state and federal laws, innovations, and implementation issues, LCESC sends quarterly newsletters and holds monthly meetings for all community school administrators in Lucas County.

Other sponsors. Traditional school districts sponsor 15 community schools and the University of Toledo sponsors an additional seven. Some school districts have a liaison or a staff person hired to work specifically with community schools. For example, LOEO interviewed administrators of two community schools that are sponsored by the Cincinnati City School District. These schools indicated that the assistance they receive from a district staff person hired to work with them has been especially helpful.

Additional sources. Some community school administrators found additional sources of technical support that are helpful. These include:

- Educational Resource Center of Dayton Chamber of Commerce;
- A local school district superintendent;
- A local school district board member;
- Former school superintendent;
- ODE's Office of Exceptional Children;
- ODE's Office of School Finance;
- The Ohio Community School Center; and
- Other community schools.

Regional service providers. Regional service providers include Educational Service Centers (ESCs), Regional Professional Development Centers (RPDCs), Special Education Regional Resource Centers (SERRCs), and Data Acquisition Sites (DA Sites). Some of the services they provide to school districts include:

- Accounting/financial services;
- Computer technical assistance;
- Staff training and professional development; and
- EMIS data reporting assistance.

On one hand, regional service providers who spoke with LOEO assumed that they were to provide community schools with the same services they provide traditional schools. However, they also

expressed that they do not receive clear guidance from ODE concerning their roles in serving community schools. In addition, they have difficulty obtaining accurate lists, phone numbers, addresses, and contact persons of the community schools in the areas they serve.

Approximately half of the 17 regional service providers that LOEO interviewed indicated that many community school administrators and staff lack basic knowledge in areas such as school accounting, special education rules and regulations, and EMIS reporting. In addition, some community school administrators are not aware of what they need to know to run a school and therefore do not know their information needs.

Four providers reported low community school turnout or lack of interest in staff development opportunities that they offer. However, they believe that community school administrators and staff seem more likely to attend such training and informational sessions when they are encouraged and supported by their sponsor to do so.

One regional service provider suggested that in order for all service providers to more effectively offer technical assistance to community schools, ODE's Office of Community Schools should coordinate such efforts among all regional service providers and other offices within ODE, such as School Finance, Exceptional Children, Early Childhood Education, and Professional Development. These efforts would specifically target regional service providers and might include information workshops, an e-mail listserv, and newsletters. Another service provider recommended that ODE create a checklist to help inform community schools what they need to do in order to effectively serve students.

Quality of technical assistance. Community school administrators had various perceptions regarding the quality and usefulness of technical assistance they received from their sponsor for opening and on-going daily operations.

Nine of 26 administrators that LOEO interviewed indicated that the technical assistance they received was "good" to "great." However, 11 administrators described it as "minimally helpful" or "non-existent," while the remaining six said that technical assistance was good for some areas and not good for others.

Despite ODE's efforts to inform all educators of its workshops, several community school administrators indicated that they were unaware of the workshops. Some community school administrators indicated that they were unable to attend due to time, travel conflicts, or securing a substitute teacher or administrator. Others merely chose not to attend.

Representatives from the LCESC reported that attendance at information and training sessions they provide for community schools has been inconsistent.

In sum, community school administrators reported that a lack of helpful technical assistance is a barrier to opening and operating a community school. However, many administrators seem to be unaware of the technical assistance that is available, choose not to use current sources, or are unable to assess their own information needs. Overall, there appears to be less need for technical assistance for community

school administrators who have significant experience in education and knowledge about business.

It is unclear to LOEO whether the quality of technical assistance available to community schools is lacking. A larger question is whether technical assistance alone should be expected to provide all the information and services necessary to successfully open and run a school. Community school administrators might benefit from assessing their information needs and taking greater responsibility for using the technical assistance that is already available through ODE and other service providers.

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Additional Implementation Issues

Beyond the difficulties of finances, transportation, facilities, and technical assistance, many community schools also struggle to submit required data to the Education Management Information System (EMIS). Furthermore, some schools have unique implementation issues that are a result of their distinctive student populations or instructional approaches.

EMIS reporting

EMIS was created in 1989 by the 118th General Assembly. The purpose of EMIS is to increase school accountability for tax dollars and educational outcomes. EMIS data are submitted electronically to ODE. All city, exempted village, local, joint vocational, ECSs, and community schools are required to submit student, staff, and financial data to EMIS.

ODE's Office of Community Schools found that approximately half of the 68 community schools that operated during the 2000-2001 school year experienced some difficulties reporting EMIS data. Slightly more than half of these difficulties were attributed to confusion with data entry. Seven community schools did not report all the required data, including proficiency test results.

Issues unique to some community schools

Some implementation issues are unique to electronic community schools and schools that are specifically designed to serve students with particular disabilities.

Electronic schools. As mentioned, most community schools are located in buildings and consist of traditional classrooms. However, students who enroll in electronic community schools similar to eCOT receive their primary instruction in their home via computers with a network connection to their school.

eCOT's director explained that during its first year of operation (2000-2001), the school had to enroll over 3,000 students in order to cover the high costs of purchasing computers for students and developing a firewall so that home computer access is restricted to eCOT software. It typically took six weeks for the school to get the phone lines, intranet system, and computer hardware set up in a student's home.

A student who has been enrolled in eCOT must return the computer that has been provided by the school when he or she graduates or withdraws from the school. However, during the 2001-2002 school year the school experienced a loss of approximately 300 computers when they were not returned. As a result, some new students were delayed in receiving their computers for instruction and therefore were not considered enrolled by ODE.

Because online schooling in Ohio is relatively new, some policies for these types of community schools have not yet been implemented. These include policies related to enrollment and attendance, course content, and student assessment. This lack of clearly stated policies and procedures has been costly for eCOT and traditional school districts.

For example, ODE had not provided written guidelines to eCOT when it opened regarding the basis for funding enrollment, nor the documentation required for student attendance. Seven months into the 2000-2001 school year, ODE's Office of School Finance notified eCOT that it would only fund students beginning with their first log-in to the school's system. During September and October 2000, however, ODE had paid eCOT $1,688,836 for students who did not meet this operational definition of enrollment.

Due to the lack of a formal enrollment definition, the Auditor of State did not issue a statement that eCOT be required to reimburse the state for the amount overpaid for student enrollment for the 2000-2001 school year. However, eCOT and ODE negotiated a settlement in which the $1,688,836 was prorated and returned to the affected resident school districts over the remaining months of the fiscal year.

Since TRECA, an electronic community school similar to eCOT, did not begin operating until the 2001-2002 school year, it had not been audited at the time of this report. Therefore, LOEO was unable to assess the impact of the lack of these policies and procedures on this school.

The 124th General Assembly defined electronic school enrollment in Sub. H.B. 364. In addition, ODE's Office of Community Schools has drafted electronic school and electronic course guidelines to address these and other issues.

Summit academies. ODE's Office of Exceptional Children, Office of Community Schools, and Office of School Finance conducted an investigation into allegations brought against the eight Summit Academy community schools. These schools are designed to serve students with attention deficit disorder (ADD) and attention deficit hyperactivity disorder (ADHD). The allegations included procedural violations in serving students with disabilities in accordance with state and federal law.

While the investigation concluded that Summit Academy community schools had not willfully violated policies, it did report that most staff were not knowledgeable about special education rules, regulations, procedures, and best practices. The Office of Exceptional Children has since established a detailed list of requirements for improvement, including developing instructional goals, curriculum and instruction, and instructional adaptations for children with multiple disabilities.

In addition to this investigation, LOEO found that regional service providers, especially Special Education Regional Resource Centers (SERRCs), indicated that many community school staff seem to lack the skills and knowledge to effectively serve students with special needs.

Sub. H.B. 364 specifically permits community schools to contract with another community school, a school district board of education, an Educational Service Center (ESC), a county Mental Retardation/ Developmental Disabilities (MR/DD) agency, or a nonpublic school administrative authority to provide services to students with special needs.

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Implementing Accountability Using Annual Reports

One of the central tenets of the charter school movement is more autonomy from rules and regulations in exchange for greater accountability for student outcomes. Annual reports are one of the primary mechanisms to ensure that community schools remain accountable to parents, staff, sponsors, and the general public. LOEO found that community schools continue to have difficulty producing these reports in a complete and timely manner.

Each community school is required by law to produce an annual report of its activities, progress, and financial status to their sponsor, parents, and LOEO. The Ohio Revised Code, Section 3314.03 (A)(11)(g) states:

"...The school governing authority will submit an annual report of its activities and progress in meeting the goals and standards of divisions (A)(3) and (4) of this section [*i.e., academic goals, method of measurement including statewide proficiency and later achievement tests, and performance standards evaluated by the sponsor*] and its financial status to the sponsor, the parents of all students enrolled in the school, and the legislative office of education oversight..."

LOEO analyzed the 2000-2001 school year annual reports for 60 community schools. Based on the content of these reports, interpretations of what the law requires regarding annual reports varied among community schools and among sponsors. For example, there was a wide range in what community schools reported for "financial status" and "progress in meeting the [contract] goals and standards" in these reports.

Activities and goals

For the 2000-2001 annual reports, 71% (43) of community schools stated their school mission and 78% (47) included some discussion of their goals. However, only 53% (32) described the extent to which their goals were achieved.

Student performance. Almost every annual report (95%) conveyed some type of assessment information, whether it was Ohio Proficiency Test results or alternative assessments. Community

schools are required to administer the Ohio Proficiency Tests, but not all of them have students who are at the grade levels where the testing occurs. In addition, some special needs students have been exempted from proficiency testing. Sixty-five percent (39) of the first three generations of schools reported proficiency test scores.

Parent satisfaction. Although 40% (24) of community schools are contractually required to conduct parent satisfaction surveys, only ten of these 24 included the results in their 2000-2001 annual reports. Those reports that included satisfaction information usually did not provide the survey instrument, methodology, or more than brief descriptive results.

Financial status

In addition to the financial audit of community schools, annual reports were intended to serve as a financial accountability mechanism. As previously stated, Ohio law requires the financial status of a school to be included in its annual report. Accordingly, 85% (51) of the 2000-2001 annual reports included some type of financial information. Of these, 73% (37) reported financial information as a line item budget. Fifteen percent (9) of schools did not provide *any* financial information as required by law.

Submitting reports to LOEO

The timeliness in which community schools completed and submitted their annual reports to LOEO was problematic. In fact, 95% (57) of reports were received after the required deadline. Despite reminders to schools and their sponsors, 58% (35) were one to six months late and 18% (11) were over six months late.

The contract between a sponsor and a community school establishes the deadline for completion of annual reports. These deadlines range from June to November after a school year. Thus, some schools have less than a month to prepare their annual report after the end of their school year, while others have up to six months.

Sub. H.B. 364 mandates that a community school's governing authority will submit an annual report to its sponsor, parents of all students enrolled in the school, and LOEO *within four months* after the end of each school year.

Tool of accountability

ODE's Office of Community Schools has begun using annual reports, as well as other sources of data, to conduct the first round of evaluations of State Board-sponsored community schools for contract renewal. However, some community school administrators and sponsors do not consider the required annual report a primary tool of accountability.

Some school administrators view annual reports as "just another bureaucratic hoop" to jump through. Others were confused about what needed to be included in annual reports, which persons and offices needed to receive them, and when reports are due. Community schools may also believe they can be held accountable more effectively through periodic newsletters, on-going meetings, and individual conversations with parents, rather than through an annual report.

There appear to be few, if any, consequences for community schools that fail to provide the required information or to submit their reports on time. While some

schools' annual reports have improved over time, LOEO found that regardless of how long a community school has been operating, most annual reports continue to lack the required information.

Some community school administrators and sponsors may perceive that the Local Report Card has replaced annual reports as a tool of accountability. However, community schools do not receive Local Report Cards until their third year of operation. Furthermore, Local Report Cards do not include a description of a community school's financial status or its strategies for improving student outcomes.

Most important for accountability, Local Report Cards do not address the extent that a community school has met the specific provisions of the contract with its sponsor. For example, some schools are contractually required to conduct parent satisfaction surveys or maintain a specific student enrollment. Documentation of whether these goals are achieved will not be captured by the Local Report Card but is expected to occur in the annual report.

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Summary

One of the purposes of community schools is to provide parents with additional educational options for their children. Community schools are accomplishing this for a growing number of parents. As a whole, community schools have not demonstrated better student academic performance than similar traditional public schools.

Some factors are important for community schools to successfully open and effectively operate. These include having school administrators with a background in education, including teaching and administration, as well as having staff or governing board members with substantial experience in business matters, accounting and finance, fundraising, working with non-profit agencies, and legal matters.

However, community school administrators indicated that they continue to face implementation difficulties to opening and operating. Some of these are the same difficulties that the first 15 schools encountered when the community schools initiative began. These barriers include finances, finding and maintaining adequate facilities, providing student transportation, and receiving adequate technical assistance.

One of the tenets of the community school movement is greater autonomy (fewer rules and regulations) in exchange for greater accountability for student outcomes. Community school annual reports are an important tool of accountability, but they are not being produced in a complete and timely manner. The law that mandates the content of annual reports is not specific enough to prevent various interpretations and some community school administrators and sponsors do not consider annual reports a primary tool of accountability.

Chapter III
The Financial Impact of Community Schools on Ohio's Education System

This chapter describes the financial impact of community schools on Ohio's education system, including effects on traditional public school districts, regional service providers, and the state as a whole.

As part of the legislative mandate for this study, Am. Sub. H.B. 215 requires LOEO to report on the impact of community schools on Ohio's education system, including "any detrimental impacts on the State education system or on individual school districts" that result from the establishment of community schools.

From the perspective of school districts and many of their supporters, financial consequences are the primary impact that community schools are having on the state's education system. Much of the debate continues to focus on whether *state* or *local* funds are going to community schools. In its second report (April 2001), LOEO attempted to focus the terms of the discussion:

"While it should be clarified that community schools **do not** take locally generated tax-dollars away from the districts, they may, nevertheless, affect a district's ability to provide for the education of students who remain in district-operated schools."

While some stakeholders have reluctantly accepted the technical accuracy of "state" funded community schools, many community school opponents continue to focus on this argument. They contend that school districts have to spend time, resources, and political capital to pass levies, only to have this local money given to the community schools.

This claim is technically incorrect since community schools *are* funded by state money. However, the substantial and increasing amounts of state money transferred to community schools leave gaps in the districts' budgets that may have to be filled by local dollars. Appendix G provides an explanation of the state funding of community schools.

The districts' "loss" of state money is by design. One purpose of community schools is to provide competition for students and state funding, thereby encouraging traditional public schools to work harder at improving student achievement. This competition for limited resources naturally creates some tension between traditional and community schools.

This tension has contributed to strained relationships between traditional and community schools that some district officials and community school administrators have described as "hostile." Additionally, some consequences of community schools have had a negative financial impact on the state's education system.

Financial Impact on School Districts

LOEO interviewed school administrators, primarily superintendents and treasurers, in all 19 Ohio school districts where community schools were located as of Fall 2001. Administrators from 14 of these districts indicated that the greatest impact on their districts is financial – primarily the result of losing the state funds for each student who chooses to attend a community school.

School district officials identified four major areas of financial impact due to community schools:

- Inability to cut costs;
- State funds transferred to community schools;
- Difficulties projecting transfer amounts; and
- Additional costs (e.g., transportation, personnel, and special education).

During Senate Education Committee hearings on Sub. H.B. 364, districts also identified another area of financial impact:

- Districts that receive no "base cost" funding from the state, but still lose money to community schools.

School districts inability to cut costs

School districts struggle to make adjustments on a year-to-year basis to compensate for the loss of state funds to community schools. Most urban districts claim they are not able to reduce costs proportionately to the amount of funding that follows students who leave for community schools.

For example, one elementary school building may lose five first graders, five second graders, five third graders and all the corresponding funds, but that does not necessarily mean the district can eliminate a building, classroom, or teacher. Some districts have been able to make cuts, such as closing a school or not filling positions when teachers retire, but most claim they are not able to make such adjustments on a scale proportionate to the loss of state funds.

Schools have fixed costs (e.g., facility and administrative costs) that are difficult to reduce. Therefore, due to the transfer of state funds to community schools, some districts are forced to make reductions in other areas. Administrators from three of the Big Eight districts made such an assertion.

For example, one district administrator claimed that they had to exclude certain grades from the summer school program, as well as reduce their accelerated program, extracurricular activities, and field trips. Additionally, other administrators noted that collective bargaining agreements make it difficult to change personnel as building enrollments fluctuate.

State funds transferred to community schools

During the first four years of the community school initiative, over $290 million in state funding was deducted from traditional public school districts and transferred to community schools.

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As previously mentioned, the competition for state funds naturally creates some tension between traditional and community schools. Exhibit 4 displays the yearly transfer amounts.

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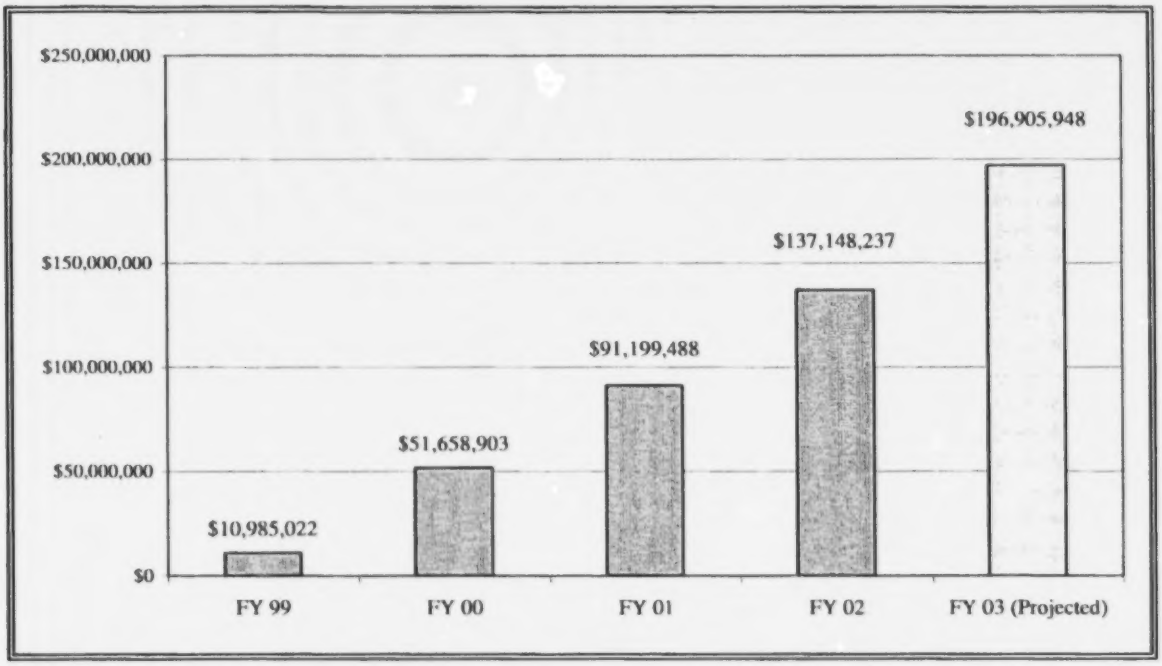
Exhibit 4
State Funds Transferred from School Districts to Community Schools
Fiscal Year 1999 – Fiscal Year 2002

FY 99	FY 00	FY 01	FY 02	Total
$10,985,022	$51,658,903	$91,199,488	$137,148,237	$290,991,651

The total amount of the community school transfer will continue to grow during the fifth year of the community school initiative. A projected $196 million will be transferred to community schools in fiscal year 2003. Exhibit 5 displays the steady growth of community school transfer amounts, including the fiscal year 2003 projection.

Exhibit 5
Growth of State Funds Transferred from School Districts to Community Schools
Fiscal Year 1999 – Projected Fiscal Year 2003



Note: FY 03 Projection from ODE February #1 SF-3 Report

While the majority of this money represents parents electing to have their children leave the Big Eight districts, other school districts throughout the state are beginning to experience financial consequences from the growth of community schools.

Electronic schools, such as eCOT and TRECA, draw students from most districts in the state. In 2001-2002, ODE data show eCOT drew students from 72% (442) of the districts in the state with transfer amounts totaling over $15 million. During the same time, TRECA enrolled students from 42% (259) of districts with transfer amounts totaling over $3 million. Combined, 77% (474) of traditional public school districts lost students to electronic community schools in 2001-2002.

Additionally, LOEO collected "sending school data" from the first four generations of community schools for the 2001-2002 school year. These data identify the traditional school building that each community school student previously attended. For kindergartners, the sending school is identified as the public school building they would have attended. Individual districts may have numerous buildings identified as sending schools.

Exhibit 6 displays the sending schools of students that attended eCOT and TRECA during the 2001-2002 school year. Each dot represents a sending school building and provides a visual representation of the dispersion of electronic community school students. eCOT students came from 1,302 sending schools and TRECA students

from 343. In some cases, both community schools drew students from the same building.

Not surprisingly, most non-electronic community school students are concentrated in the urban regions of the state where the community school initiative began. Exhibit 7 displays the sending schools of students attending non-electronic community schools in 2001-2002. Each dot represents a sending school.

Exhibit 6
Sending Schools of Electronic Community School Students
2001-2002

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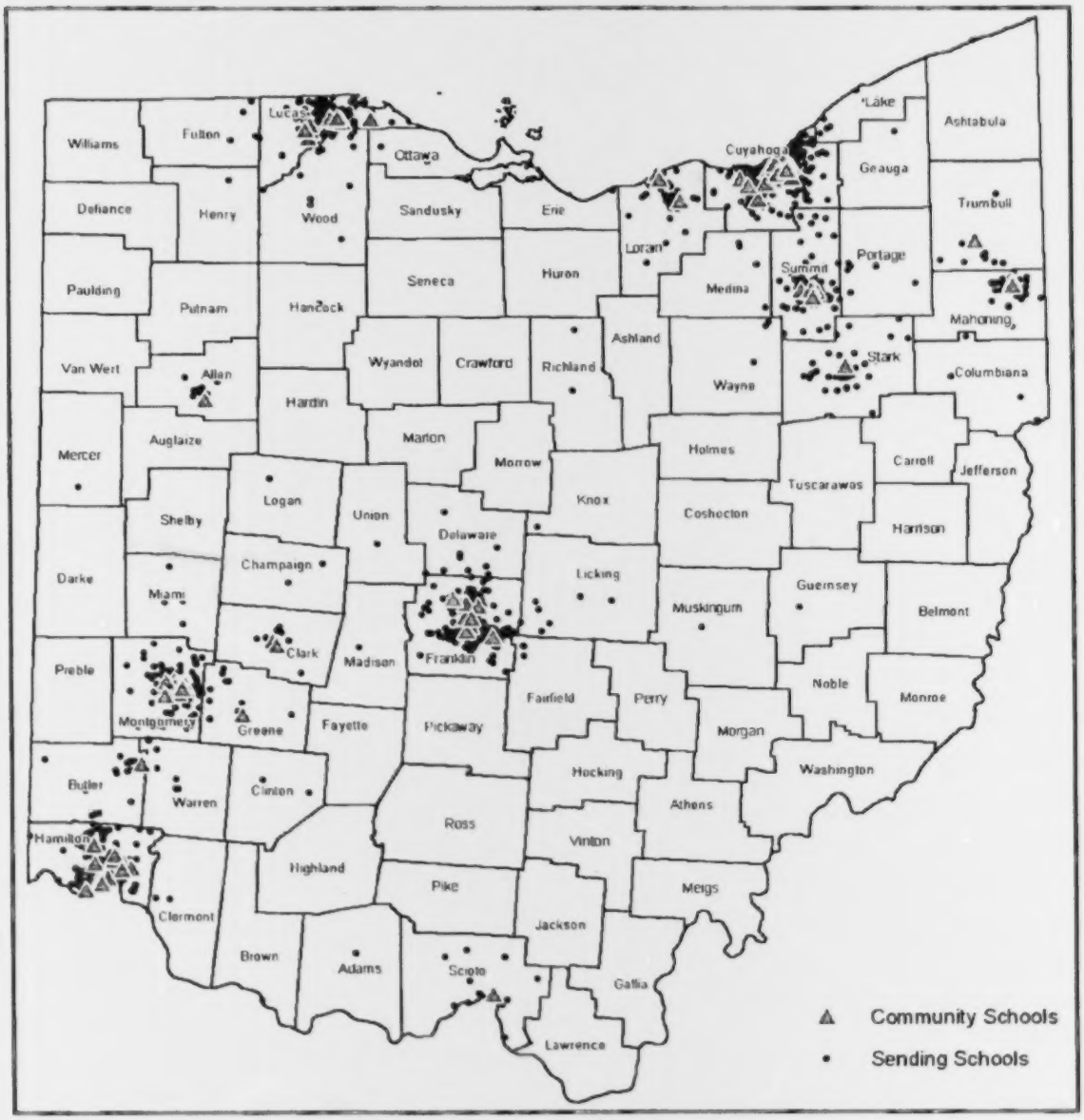
Exhibit 7
Sending Schools of Non-Electronic Community School Students
2001- 2002



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Over 80% of Ohio school districts, regardless of whether a community school was physically located within their boundaries, transferred some amount of state funding to community schools during the 2001-2002 school year. As Exhibit 8 illustrates, a majority of these districts transferred less than $100,000. However, 76 districts transferred at least $100,000 and ten of those at least $1 million.

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Exhibit 8
Community School Transfers from
Ohio School Districts
2001-2002

Amount of Transfer	Number of Districts	Percent of Districts
No community school transfer	115	19%
$1 - $99,999	421	69%
$100,000 - $999,999	66	11%
$1 million or more	10	2%
Total	**612**	**101%***

*Percents do not equal 100 due to rounding.

Originally, the community school initiative was designed to provide options for families in low performing school districts. However, the initiative has expanded as electronic community schools draw students from districts throughout the state.

Nonetheless, the Big Eight districts are experiencing the greatest impact. Cincinnati, Cleveland, and Dayton school districts are the three biggest "markets" for community school students in terms of total loss of state funding. However, Dayton, Cincinnati, and Youngstown lost the greatest percentage of state funding.

Exhibit 9 displays the districts' total community school transfer, percentage loss of state funding, and percentage loss of enrollment for fiscal year 2002.

Exhibit 9
Big Eight Districts' Loss of State Funding and Enrollment to Community Schools
Fiscal Year 2002

School District	Community School Transfer	Loss of State Foundation Funding	Loss of Enrollment*
Dayton	$19,672,909	20.8%	15.5%
Cincinnati	$26,999,081	19.0%	10.6%
Youngstown	$8,407,746	13.4%	12.7%
Cleveland	$22,017,219	6.2%	5.2%
Akron	$8,222,776	6.0%	4.3%
Toledo	$10,193,468	6.0%	4.6%
Columbus	$9,245,507	4.6%	2.7%
Canton	$649,853	1.1%	0.5%

Source: ODE SF-3 Report (FY 02: Final Version 2)
*Enrollment = Formula ADM

Appendix H presents the breakdown of the community school transfer amounts from the Big Eight districts.

Three-year average. Most large urban districts have experienced declining enrollment in recent years. Enrollment decreases may result from students moving out of the district, opting to attend private school, or being home-schooled.

To buffer the loss of state funding associated with these changes, the state developed the "three-year average." If a school district's enrollment declines, it receives state funding based on a three-year average enrollment figure or the current year enrollment, whichever is higher. Districts who have declining enrollment therefore receive some state funding for students that they no longer educate.

However, community school students are included in the school districts' enrollment count. The funding for community schools is deducted *after* enrollment is calculated. As a result, districts do not receive the benefit of the three-year average for their loss of community school students. Open enrollment gains/losses are also applied after enrollment is calculated, and thus not buffered by the three-year average. Appendix I contains a detailed description of the three-year average.

Difficulties projecting transfer amounts

One of the recurring concerns voiced by traditional school district administrators is the difficulty in projecting the actual number of students that will leave for community schools and the funding that subsequently follows. Almost every urban district claimed that the ability to conduct budgeting, yearly planning, and/or long-range planning is inhibited because of unexpected changes in enrollment. In one district, the treasurer indicated they had missed budgeting and planning by $500,000 in fiscal year 2002 because of community schools.

In each of the first five years of the initiative, a substantial number of new community schools opened. School district administrators indicated that they are not always aware for the upcoming school year of the number of new community schools that will be opening in their district, nor the number of students who will eventually enrollment in these schools.

The community school population is fairly fluid and enrollments vary throughout the year. Many of these students show great mobility, moving in and out of the traditional schools. In addition, community schools sometimes open later in the school year than anticipated. District treasurers are forced to make projections, which may be problematic for budgeting and strategic planning.

For example, if six students decide to leave the district and enroll in a community school after the start of the school year, the district will have approximately $30,000 less state funding. Presumably, the district had already made commitments for these dollars in the form of salaries or supplies. Even though this $30,000 may represent the possibility of cutting a teacher's salary, these types of adjustments cannot be easily made during the school year.

Unreliable early projections. The SF-3 report is an ODE-produced document that summarizes the foundation formula calculations of state funding for districts. New reports present projected numbers twice a month throughout the course of a fiscal year until actual numbers are generated at the conclusion of the year. Districts make their own projections based on a variety of factors, but the SF-3 is the primary source of information for understanding exactly how much state money will be deducted for community schools over the course of a given fiscal year.

From ODE's perspective, the SF-3 is designed to be a reporting tool, not a projecting tool. It is not designed to be the sole source of information for community school transfer projections. These projections usually vary greatly. Some districts may rely too heavily on the early SF-3 projections, which may contribute to difficulties in budgeting and planning. However, the SF-3 may be the only tool that districts have to make these types of projections.

To illustrate, 92 community schools were operating at the end of fiscal year 2002 and the final statewide community school transfer amount was over $137 million. By the fall of 2002, 127 schools were in operation and at least another 30 had approved contracts. However, on the first fiscal year 2003 SF-3 report (July 2002), the statewide estimated community school transfer amount was only $136,839,580. Even though at least thirty new schools were set to open, the first report of the new fiscal year estimated a smaller transfer amount than the final figures from the previous year.

It was not until the second August 2003 SF-3 report that the projected transfer amount climbed to over $150 million. By this date, many districts had finalized their budgets and had either already opened or were less than a week away from the beginning of the school year.

Estimated enrollments. ODE takes the official count of enrollment for state funding purposes during the first week of October. From 1998 to 2001, new community schools were funded prior to the

October count based on their own estimated enrollments, which were often inaccurately high. In the summer of 2001, ODE instituted changes to correct this problem.

New community schools are now funded at 50% of the first year estimated student enrollment stated in their contracts or their actual enrollment as reported on the web-based system, whichever is greater. This adjustment is based on historical trends that initial community school enrollments were, on average, about 50% of their contract projections.

All community schools are funded based on their actual enrollment by the end of September. Districts do not experience a deduction for new schools until after the October count. If a community school is due to receive more than the initial funding, the additional transfer is prorated over the course of the year.

The under-estimates in the early SF-3 projections can be partially explained by these funding procedures for new community schools. Although this new procedure is an improvement and reduces the chances of over-estimations at the beginning of the year, it still creates problems of its own. Districts will not receive an accurate state estimate of their deductions until after the October count. Until that point, SF-3 projections are likely to be lower than the actual figures.

Appendix H displays the projections for the fiscal year 2003 reports compared to fiscal year 2002, as well as details on the projections for the Big Eight districts.

Community schools opening after the October count week. For various reasons, community schools sometimes open after the October count week. Students who attend these schools may not be included in the district of residence's enrollment, referred to as the Average Daily Membership (ADM). However, the state per pupil funding is still deducted even though the district never received state funding for these students. As a result, the district experiences a net loss of state funds.

A similar effect occurs when a home-schooled or private school student enrolls in a community school after the October count week. This problem was addressed in the recently passed Sub. H.B. 364, which directs ODE to adjust the ADM of districts by including these students and recalculating the state funding totals.

Additional costs to districts

Seven of the 19 school districts with community schools in the fall of 2001 identified additional costs that are difficult to quantify. Several administrators indicated that they had to increase expenditures in areas such as transportation services and personnel to address increased administrative duties as a direct result of community schools.

Transportation. School districts are required by law to transport community school students. District officials identified this responsibility as an additional cost. Because of their dispersion, many community schools and their students do not fit into the existing bus routes.

One district underestimated transportation costs and found routing difficult as a result of community schools. Another district experienced inefficiencies because they could not fill buses to capacity with community school students. Its

teasurer estimated that it costs $800 to transport a community school student versus $500 for a traditional school student. According to this district, the workload has increased for the transportation staff.

Personnel. As previously stated, community school students are included in the ADM of their district of residence. Since state funding is based on the ADM, districts need to keep accurate records to verify that students have left their district and the appropriate amount of state dollars have been deducted. School district administrators claimed that community school enrollment records are often incomplete or inaccurate. Additionally, there is sometimes uncertainty regarding when a student is officially enrolled in a community school.

Some districts have hired additional personnel for this task. For example, administrators in one district noted that they now have two full-time staff monitoring community school enrollment. Even without hiring extra personnel, the resources of the districts' current employees are strained.

Additional cost of special education. The state formula for providing funding for special education places an additional financial burden on school districts when a student with disabilities transfers to a community school. The special education weighted amount deducted from school districts and transferred to community schools is larger than the amount of state funding provided to districts for each special education student. Appendix K contains a detailed description of this funding process.

Districts that receive no "base cost" funding from the state

LOEO has identified 23 districts that received no state share of base cost funding in fiscal year 2002. Seventeen of these districts had a community school deduction.

While 23 districts received no state share of base cost funding, every active school district in Ohio received some amount of state funding in 2001-2002. Even affluent districts received some state funding for items such as the guarantee, gifted aid, transportation, and/or several other categorical foundation funding items. Therefore, when a district receives no base cost funding, the community school transfer is deducted from a pool of *state* funds that are intended for other purposes. Appendix J contains details on these 23 districts.

Summary of financial impact on school districts

Many school districts claim that they are not able to reduce costs proportionately to the amount of funding that follows students who leave for community schools. While a majority of districts in the state lose some amount of state funding to community schools, the urban districts lose the most. The Big Eight districts lose millions of dollars of state funding and the amount grows as new community schools open each year.

Districts are forced to make projections of these transfer amounts, which causes difficulty for budgeting, yearly planning, and long-range planning. Districts also identified additional transportation and personnel costs resulting from community

schools, which are difficult to quantify. Some school districts that receive no base cost funding from the state are losing other state funds to community schools.

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Financial Impact on Regional Service Providers

LOEO interviewed 17 regional service providers including Educational Service Centers (ESCs), Special Education Regional Resource Centers (SERRCs), Regional Professional Development Centers (RPDCs), and Data Acquisition Sites (DA Sites) about the impact of community schools. The majority of these organizations responded that they have incurred some minimal costs as a result of community schools, primarily related to increased expenditures for distribution lists (e.g., postage and printing).

Additionally, there appears to be much confusion among providers as to how community school students and teachers fit into the organizations' state funding structures and service responsibilities. For example, a few RPDCs were not sure if community school teachers are included in the state funding formula even though the provider is responsible for providing services. LOEO found that during the first three years of the initiative, community school teachers were not included in the funding formula. However, this concern was addressed and community school teachers were incorporated into the formula as of the 2001-2002 school year.

Regional organizations have indicated they are experiencing some adverse effects on their funding structures as they adapt to the presence of community schools. Some providers have encountered difficulties collecting contracted fees and conducting business with community school officials who have little experience. When community schools do contract for services, they do not always pay on time. One ESC is still trying to recover $70,000 from a community school and has pulled consultants from the building. This director informed LOEO that they never had to deal with credit issues before and now must rethink how they contract with community schools.

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Financial Impact on the State

The financial impact on the state as a whole includes additional funds for direct services and start-up grants to community schools, the inclusion of new students into the public education system, and the cost of increased administrative functions for state agencies.

Community school line item

Each of the past three state biennial budgets has included an additional line item in the General Revenue Fund for community schools. This funding represents part of the cost of community schools to the state – more than $20 million over six years. Exhibit 10 displays the appropriation amounts since fiscal year 1998.

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Exhibit 10
General Revenue Fund Appropriations
For Community Schools (Line 200-455)

FY	Legislation	Appropriation
98	H.B. 215/H.B. 650/H.B. 770 (122nd)	$1,200,000
99	H.B. 215/H.B. 650/H.B. 770 (122nd)	$2,300,000
00	H.B. 282 (122nd)	$3,500,000
01	H.B. 282 (123rd)	$3,500,000
02	H.B. 94/S.B. 261 (124th)	$4,728,935
03	H.B. 94/S.B. 261 (124th)	$4,824,517
Total		**$20,053,452**

This line item includes funds for ODE and Lucas County Educational Service Center services, such as technical assistance and start-up grants. Community school developers can receive state start-up grants from this state fund. Each of the first through fourth generation schools could receive up to $50,000. Fifth-generation schools can receive up to $25,700.

Integrating new students into the system

Various stakeholders identified one additional cost to the state from the community school initiative – the incorporation of home-schooled children and students previously enrolled in private schools into the public education system. Several community schools, particularly the electronic schools, target the home-school market. While no specific total count of home-schoolers in the state is available, it is estimated to be a considerable number of Ohio's children and may be growing.

Home-schooled students. Home-schooled children are not included in a district's ADM count. If they enroll in a community school prior to the first week in October, they are added to their district of residence's ADM count and the per pupil deduction is subsequently applied. Therefore, the school district experiences no *actual* impact on funding. This additional cost is paid for by the state as part of the overall "base cost" line item (GRF 200-501).

LOEO's sending school data identified 582 previously home-schooled students that attended a community school during the 2001-2002 school year. At an estimated expense of $5,000 per student,

these additional students cost the state approximately $2,910,000.

Private school transfers. A similar effect results from students who come from private schools. For instance, there were 1,326 community school students for the 2001-2002 school year that came from private schools. At an estimated expense of $5,000 per student, these additional students cost the state approximately $6,630,000.

Cost estimate. The addition of 1,908 previously home-schooled and private school students has been an unforeseen cost to the state of approximately $9,540,000. Exhibit 11 displays these estimated costs. This total is an underestimate because it does not include the cost of doing business factor, special education, DPIA, or other related state funds.

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Exhibit 11
Estimated Additional Cost to the State Due to the Inclusion of Home-Schooled and Private School Students

Former School	Number of Students	Estimated Cost ($5,000 per Student)
Home School	582	$2,910,000
Private	1,326	$6,630,000
Total	**1,908**	**≈ $9,540,000**

Additional costs to the state

As with every state-sponsored program, the administration of the community school initiative costs money. Within ODE, the Office of Community Schools was created to deal with the numerous issues of implementation, evaluation, and technical assistance. Other offices within ODE (e.g., School Finance and Exceptional Children) have considerable responsibilities for administering the community school program. Additionally, the Auditor of State's office is responsible for financial audits of the community schools.

In effect, adding community schools is equivalent to adding over 130 new "districts" to a system that already has 612. There is an ongoing question of whether the state's administrative agencies have the capacity to keep pace with the growth of the movement. The cost of staff, office space, and daily operations is substantial and will likely grow in the future.

Summary

Am. Sub. H.B. 215 requires LOEO to report on the impact of community schools on Ohio's education system, including "any detrimental impacts on the State education system or on individual school districts" that result from the establishment of community schools.

The greatest impact of community schools on traditional school districts has been financial. The community school movement is expanding, costing school districts over $290 million in state funding during the first four years of the initiative. This loss of state money is by design, since one purpose of community schools is to generate competition for students and state funding, thereby encouraging traditional schools to work harder at improving student achievement. Competition for limited resources naturally creates some tension between traditional and community schools.

While the "state versus local" funding argument continues, districts are forced to use local money to fill gaps left by the loss of state funds. Most districts claim they are not able to reduce costs proportionately on a year-to-year basis. Additionally, the unpredictable yearly increase in the transfer of state funds to community schools has created problems with district budgeting and planning.

Districts also identified additional transportation and personnel costs, resulting from community schools, which are difficult to quantify. Some districts that receive no base cost funding from the state are losing other state funds to community schools.

Regional service providers have incurred minimal costs to provide services to community schools, but are seeing some adverse effects on their funding structures as they adapt to the presence of community schools. Some providers have encountered difficulties collecting contracted fees and conducting business with community school officials who have little experience running schools.

A cumulative six-year total of over $20 million of state money has been appropriated for ODE and Lucas County Educational Service Center services, such as technical assistance and start-up grants to community schools. In addition, incorporating previously home-schooled and private school students into the system has increased the overall cost to the state by at least $9 million.

Chapter IV
Community Schools' Impact on Educational Programming, Marketing, and Customer Service

This chapter explores the impact of community schools on Ohio's education system, specifically the educational programming, marketing efforts, and customer service of school districts.

As mentioned in Chapter I, one purpose of the community school initiative is to encourage the development of innovative instructional and management approaches that can be transferred to traditional public schools. Another purpose is to provide an educational choice for parents who do not want their child to remain in the same school district or who cannot afford private school tuition or to move to another school district.

Community schools also provide alternative educational options for children who may not do well in a traditional school setting or require a specialized learning environment.

The competition for students and financial resources fuels the tension that exists between community and traditional schools. This tension may impede the collaboration necessary for the transfer of instructional and management approaches. It has resulted, however, in increased attention to marketing and customer service by some traditional public school districts.

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Educational Programs

LOEO interviewed superintendents, treasurers, and board members from 19 school districts to help determine the impact of community schools on Ohio's education system. These interviews included administrators from all Big Eight school districts, as well as 11 other urban districts where community schools were located during 2001-2002 school year.

Impact of Local Report Cards vs. community schools

More than three-fourths of those interviewed attributed recent changes in their educational programming to factors other than community schools. Administrators in 11 of the 19 urban school districts claimed that proficiency test results and Local Report Card performance accountability ratings, rather than community schools, were the primary reason for increasing attention to student performance and making changes to their educational programming.

One district identified their Student Achievement Reform Initiative, started in 1997, as an additional factor for change. Another district indicated that the results of audits by outside groups helped initiate changes to their educational programs.

Attributing changes in educational approaches to the Local Report Card seems plausible given that the first report cards were issued to school districts approximately one year after the first 15 community schools opened in 1998. As part of its response to the Ohio Supreme Court's decision in *DeRolph v. The State of Ohio*, the General Assembly began using passage rates on the Ohio Proficiency Test as part of a new school district accountability system.

Through Am. Sub. S.B. 55, the 122nd General Assembly established minimum performance standards for school districts, created "performance accountability ratings," and required the Ohio Department of Education to issue an annual Local Report Card for every school district in the state beginning with the 1999-2000 school year.

School districts that receive ratings of "continuous improvement," "academic watch," or "academic emergency" must develop a formal Continuous Improvement Plan to guide their overall improvement of student outcomes. They must show a certain level of improvement in test scores and achieve the next highest performance accountability rating within a specified time.

Competition for students

Administrators in four of 19 urban school districts claimed that competition with community schools for students was a factor in initiating changes to educational programs and the way they assess student outcomes. For example, one district started an alternative school and another district started an alternative education center in response to community schools. Both of these new programs provide educational opportunities to students with special needs.

Tensions between community and traditional schools. LOEO found that the relationships between community and traditional schools range from positive in some districts to "non-existent" and even "hostile" in others. While traditional school districts are frustrated by a loss of state funds, community schools feel that they do not receive equitable per pupil funding. Traditional school administrators cite examples where community schools are not properly monitored or held financially and academically accountable. These perceptions, as well as other factors, fuel tensions between community and traditional schools.

Litigation involving traditional and community schools adds to the tension. A lawsuit filed in Franklin County Common Pleas Court on May 14, 2001 alleges that Ohio's community schools violate the state Constitution and state laws. A second lawsuit is specific to Dayton city schools. These lawsuits are still pending.

Although one of the purposes of community schools is to develop innovative instructional and management approaches that might be transferred to traditional schools, this strained relationship may be inhibiting community and traditional schools from sharing ideas and working cooperatively to provide the best education for Ohio's children.

Niche schools. Administrators in five of 19 urban school districts recognized that some students are leaving their schools to attend "niche" community schools. Niche school provide educational services or a specialized learning environment that the district may not effectively provide. For example, some of the niche community schools offer educational programs that are

focused on the performing arts, use a Montessori approach to education, or provide services to students with special needs such as autism, attention deficit disorder, or severe physical and behavior disabilities.

There seems to be an increasing acknowledgement on the part of traditional public school educators of the value of niche community schools that provide a specialized learning environment for children. Many community school officials seem to share this view as well. However, traditional and community public schools may differ on what constitutes a niche school. That is, some define niche schools as those that serve specific groups of students, such as autistic children. Others use the term more loosely, allowing it to encompass broader groups of students such as those who are "at-risk."

Electronic schools. eCOT and TRECA may be credited with sparking an interest in traditional school districts to try this innovative electronic approach, and therefore be having the greatest impact on the educational programming in traditional public school districts. At least 25 different school districts indicated to ODE an interest in sponsoring new conversion and start-up electronic community schools for the 2002-2003 school year. This is an increase of almost 500% from the number of school district-sponsored community schools that were in operation the previous school year. By December 2002, ten district-sponsored electronic community schools were operating. TRECA was instrumental in helping most of these schools open.

As mentioned, Sub. H.B. 364 expanded "start-up," or newly created, community schools to "academic watch" school districts. However, the bill also requires that all electronic community schools be start-up schools. Therefore, school districts that are identified as "effective" or "continuous improvement" are not eligible to sponsor an electronic community school within their district.

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Marketing/Customer Service

Approximately half of traditional public school district administrators indicated they have recently increased their marketing and attention to parent customer service. However, only four attributed these efforts to community schools. The reasons given for these increased efforts varied among school districts.

For example, in 1998, one traditional school district launched a large mass media marketing effort. One board member believed that the purpose of this marketing effort was to restore public confidence in their ability to educate students given recent improvements in proficiency test scores.

Another school district administrator said that they face more competition for students from suburbs, rather than community schools. He explained that parents are leaving the city to find jobs in the suburbs. This city school district loses approximately 150 students a year to a neighboring suburban school district. The school administrator said that the district is marketing itself better because it has increased accountability and improved

student assessment. They want to get the word out that the school district is improving its student outcomes.

Three administrators from different school districts acknowledged that they are competing with community schools for students and, as a result, have increased their marketing strategies. One district superintendent stated that when a district loses a certain amount of students and the money is transferred to community schools, it makes a difference.

One Big Eight school district administrator said that community schools have helped the district identify its weaknesses and areas in need of improvement, such as customer service. This administrator believes students are leaving the traditional public schools because they feel that they will be treated better, not necessarily for a better education.

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Summary

The competition between traditional and community schools for students and funding sources has resulted in tension that may hinder the transfer of instructional and management approaches to traditional public schools. However, this competition also encourages some school districts to make positive changes by placing a greater emphasis on marketing and customer service.

Possibly the greatest impact that community schools have had on educational programming and instructional approaches has been due to the electronic community schools, which have resulted in an increased interest by school districts in sponsoring electronic schools. However, most large urban school districts claim that performance ratings on the Local Report Card have had a greater impact on education programs and focus on student outcomes than the presence of community schools.

Chapter V
Conclusions and Recommendations

This chapter presents LOEO's conclusions and recommendations regarding the assets and liabilities of community schools, ongoing implementation issues, and the impact of these schools on Ohio's education system.

Charter schools, known as "community schools" in Ohio, were established as a pilot program in 1997 by the 122nd General Assembly in Am. Sub. H. B. 215. Community schools are exempt from many of the rules and regulations that traditional public schools must follow in exchange for greater accountability for student outcomes. In June 1999, Am. Sub. H. B. 282 expanded community schools to the 21 largest urban school districts and other districts that are determined to be in "academic emergency."

The number of community schools has grown from 15, during the 1998-1999 school year, to 133 by December 2002. This is an increase of almost 800%. In December 2002, the 124th General Assembly further expanded the community school initiative to school districts in "academic watch" through Sub. H. B. 364. The bill also capped the number of start-up community schools at 225 until July 2005.

For this report, the General Assembly required LOEO to examine the assets and liabilities of community schools to Ohio's education system as a whole and the impact of these schools on individual school districts. This report also continues LOEO's evaluation of the implementation issues surrounding the opening and operation of community schools.

Assets of Community Schools

Advocates believe that one asset of community schools is that they provide an educational choice for parents who do not want their child to remain in the same school district or who cannot afford private school tuition.

Community schools may also provide an option for children who do not perform well in a traditional school setting or who need a specialized learning environment. Advocates speculate that parents may become more involved in their child's learning if they have a sense of ownership because of exercising "choice."

LOEO concludes that community schools provide an educational option for a growing number of students. The number of students enrolled in these schools has increased from just over 2,000 during the 1998-1999 school year to an estimate of over 33,000 for the 2002-2003 school year.

Some community schools focus on providing a specialized educational opportunity for a particular type of student. For example, some community schools provide instruction and

services for students with autism, attention deficit disorder, or severe physical and behavior disabilities.

LOEO's third report, *Community Schools in Ohio: Preliminary Report on Proficiency Test Results, Attendance, and Satisfaction* (May 2002) found that neither community schools nor similar traditional schools performed well on the 4th and 6th grade proficiency tests during the 1999-2000 school year, although traditional schools *as a group* outperformed community schools *as a group*. When LOEO compared each *individual* community school to a similar traditional school, the results were mixed.

These preliminary results from nine community schools with proficiency test data indicated that, *as a whole,* they had not demonstrated better student academic performance than similar traditional public schools.

School district administrators stated that, to date, Local Report Cards and academic ratings are having more of an impact on their educational programming and focus on student performance than community schools. However, eCOT and TRECA may be having an impact as demonstrated by the increased level of interest by traditional school districts in sponsoring electronic community schools.

Community schools have also increased the competition with traditional public schools for student enrollment and financial resources. This has helped these school districts to provide better customer service and improve their marketing strategies.

Liabilities of Community Schools

School district administrators stated that increasing amounts of state funds are transferred to community schools, leaving gaps in the districts' budgets that may have to be filled by local dollars. Most districts also claim they are not able to reduce costs proportionately on a year-to-year basis. Additionally, the unpredictable yearly increase in the transfer of state funds to community schools, as well as not knowing the number of community schools that will open, has created problems for school district budgeting and planning.

Originally, the community school initiative was designed to provide options for children in low-performing school districts. However, the initiative has expanded as electronic community schools draw students from school districts throughout the state. Nonetheless, the urban school districts are experiencing the greatest financial impact. During the first four years of the community school initiative, $290 million in state funding was deducted from traditional public school districts and transferred to community schools. Another $196 million is projected to be transferred for fiscal year 2003.

Traditional school districts perceive this "loss" of state funds as a liability of community schools. However, because the state funding that follows students from traditional public schools to community schools is by design, proponents of community schools do not view this as a liability.

The state budget has added a line item for services and start-up grants to community schools at a cumulative cost of $20 million since 1998. Opponents of community schools consider this cost to be a liability, while proponents do not. In addition, incorporating previously home-schooled and private school students into community schools has increased the overall cost to the state by at least $9 million since 1998.

The relationships between community and traditional schools range from positive in some districts to "non-existent" and even "hostile" in others. While traditional school districts are frustrated by the loss of state funds, community schools feel that they do not receive their equitable share of funding.

Traditional school administrators do not believe that community schools are properly monitored or held financially and academically accountable. These perceptions fuel tension between community and traditional schools. This tension, and sometimes hostility, reduces the chances that traditional and community schools will work together to share innovative educational approaches or work collaboratively for the benefit of all Ohio's children.

Implementation of Community Schools

LOEO identified some factors that are important for the successful opening and operation of community schools. Having administrators with a background in education, and staff and governing board members who have substantial experience in business, accounting and finance, fundraising, working with non-profit agencies, and legal matters increases the chances of community schools being successful.

However, regardless of how long they have been operating, most community school administrators indicated they continue to struggle with some of the same implementation difficulties that the first 15 community schools experienced during the 1998-1999 school year. These include finances, acquiring and maintaining facilities, transporting students, and accessing helpful technical assistance.

Community schools are eligible for state and federal funds for operating expenses. Community school administrators and other stakeholders reported that obtaining additional funds, beyond what the state provides, makes operating a school less difficult. Two-thirds of the 63 community schools that were audited finished the 2000-2001 school year with a budget surplus. However, half of these schools experienced difficulty keeping the appropriate fiscal records.

Unlike traditional public schools, community schools must use basic state aid for both *operating* and *facility* expenses. Community schools typically spend 6.4% of their annual operating budget for lease or mortgage costs. Administrators stated that the cost for making required renovations to meet school building codes is an added expense. However, LOEO was unable to isolate these costs.

It could be argued that community schools need additional funding for facility expenses. However, given the difficulty LOEO experienced obtaining accurate and complete spending

data, it seems premature to assess or report just how necessary such funding might be. Although some community schools identified finances as a problem, LOEO could not conclude whether more overall funding is needed for community schools.

The 124th General Assembly assisted community schools in Amended Substitute House Bill 94 with the financial burden of acquiring and maintaining a facility by creating the Community School Classroom Facilities Loan Guarantee Program.

Perceptions among community school administrators were mixed regarding the availability and usefulness of the technical assistance they receive from their sponsor.

On the one hand, regional service providers were unclear about their responsibility in providing technical assistance and other services to community schools. Some service providers also felt that community school administrators and staff were generally deficient of essential knowledge and skills to effectively operate a school. On the other hand, many community school administrators seem to be unaware of the technical assistance that is available or choose not to access available sources.

It is unclear to LOEO whether the quality of technical assistance available to community schools is lacking. A larger question is whether technical assistance alone should be expected to provide all the information and services necessary to open and run a school. Community school administrators might benefit from assessing their information needs and taking greater responsibility for using the technical assistance that is already available through ODE and other service providers.

Overall, LOEO concludes that some community schools are missing several implementation conditions important for success, including:

- Availability of adequate facilities that do not require extensive renovations;
- School administrators who have basic knowledge and experience needed to operate a school; and
- Regional service providers with clearly defined roles and responsibilities regarding their services to community schools.

Given the lack of data regarding what community schools spend for renovations, LOEO cannot predict these costs. Furthermore, some community schools have used funds to renovate buildings, only to leave them and spend additional funds to renovate a different facility. This may not be a good use of state funds.

As mentioned throughout this report, the 124th General Assembly made substantial changes to the community school initiative in Sub. H.B. 364. Many of these are intended to help

with implementation issues, including some of those that LOEO previously identified. These changes include:

- Mandating a new role for ODE that includes:
  - Overseeing all community school sponsors;
  - Providing technical assistance to persons interested in opening a community school, sponsors, and community schools for development and start-up activities; and
  - Issuing an annual report to the Governor and General Assembly on the academic effectiveness, legal compliance, and financial condition of community schools.
- Requiring community school sponsors to be an "education-oriented entity" and meet with each school's governing board and review its financial records at least once every two months;
- Limiting to 225 until July 2005 the total number of "start-up" community schools that can operate statewide;
- Allowing community schools to contract with other educational agencies to provide services for any disabled student;
- Mandating training requirements for community school treasurers;
- Defining enrollment and attendance, including for electronic schools;
- Steps for paying a community school or collecting overpayments for enrollment discrepancies; and
- Making the state not liable for debt incurred by community school governing boards.

LOEO believes that some time is needed to implement the changes made in Sub. H.B. 364 and assess the impact of the bill on community schools and their daily operations.

Recommendations

In addition to the changes made in Sub. H.B. 364:

LOEO recommends that the General Assembly:

- Require community school sponsors to have knowledge and expertise regarding business matters.

LOEO recommends that ODE:

- Coordinate efforts with and among regional service providers and clearly define their roles in providing services to community schools. These services may include business matters, curriculum development, assessing and providing services to students with special needs, and professional development.

LOEO recommends that community school sponsors:

- Ensure that community school staff or board members have access to expertise in the areas of education, business and finances, non-profit agencies, serving students with special needs, and legal matters.

- Are knowledgeable about and use existing sources of technical assistance.

LOEO recommends that community schools:

- Are knowledgeable about and use existing sources of technical assistance.
- Comply with EMIS reporting requirements by including facility costs (i.e., mortgage, lease, and renovations) as part of their financial reporting to ODE and the Auditor of State.

Annual Reports

All community schools are required by law to produce an annual report of their activities, progress toward meeting contracted goals, and financial status to their sponsors, parents, and LOEO. Based on the 2000-2001 annual reports, LOEO found that community schools varied in how they interpreted what the law requires them to report. For example, the annual report information provided under "*financial status*" and "*progress in meeting the goals and standards*" varied widely among community schools.

Many community school administrators and sponsors do not consider the required annual report to be a primary tool of accountability. Others were confused about what needed to be included in annual reports, who needed to receive them, and when these reports were due.

Community school administrators and sponsors may perceive that the Local Report Card has replaced annual reports as a tool of accountability. However, community schools do not receive Local Report Cards until their third year of operation. The community school annual report is the only accountability tool that is produced every year after and includes a description of a school's financial status, strategies for improving student outcomes, and the extent that a community school has met the provisions of the contract with its sponsor.

In order for community schools to maintain greater accountability for student outcomes in exchange for fewer regulations, they must abide by community school laws. These laws intend for annual reports to be a tool of accountability for community school parents, sponsors, policymakers, and the general public.

In order for the annual report to be a tool of accountability to all intended audiences, it must present a comprehensive picture of how the school is meeting the goals stated in its contract.

Recommendations

If the General Assembly intends annual reports to function as a tool of accountability:

LOEO recommends that the General Assembly:

- Strengthen the legislative language for annual reports to specifically require that they include:
  - Itemized revenues and expenditures;
  - An explanation of financial status and strategies for maintaining financial stability;
  - Results of the Ohio Proficiency Test and alternative assessments;
  - A description of the extent the school achieved its goals regarding student outcomes and intended strategies for improvement; and
  - A description of how the school has achieved other goals stated in the contract with its sponsor.

- Clarify consequences of late or incomplete reports.

- Require community school sponsors to:
  - Assist community schools in defining, measuring, and reporting on the goals stated in their contracts;
  - Provide feedback to community schools regarding their annual reports for purposes of improvement; and
  - Use these reports, in addition to other data, to evaluate community schools for contract renewal.

Impact of Community Schools

LOEO concludes that the greatest impact of community schools on traditional school districts has been financial. The community school movement is expanding, costing school districts millions of dollars in state money. The transfer of state money from traditional school districts to community schools is by design. One purpose of community schools is to provide competition for students and state funding, thereby encouraging traditional public schools to work harder to improve student achievement.

While the state versus local funding argument continues, school districts may be forced to use local money to fill gaps left by the loss of state funding. Most districts claim they are not able to reduce costs proportionately on a year-to-year basis.

The unpredictable yearly increase in the transfer of state funds from traditional school districts to community schools has created problems with budgeting, yearly planning, and long-range planning for traditional school districts.

Transportation continues to be a source of frustration and hostility for some school districts. Several district officials claim that transporting community school students creates additional costs. These students do not always fit efficiently into existing bus routes.

Regional service providers have incurred minimal costs to provide services to community schools, but are seeing some adverse effects on their funding structures as they adapt to the presence of community schools. Some providers have encountered difficulties collecting contracted fees and conducting business with community school officials who have little experience running schools.

If the General Assembly wants to reduce the difficulties that traditional school districts experience with planning and budgeting and therefore the tension between districts and community schools:

LOEO recommends that the General Assembly:

- Establish a deadline in early spring when community school contracts need to be finalized and signed for the upcoming school year.
- Require community schools to alert the school districts from which they draw students with their expected date of opening and anticipated enrollment. This should be done as soon as the community school signs a contract with its sponsor.

In addition, the following policy option might help reduce this tension:

Policy option:

- The General Assembly consider providing additional funding to school districts to offset the additional costs of transporting community school students.

Issues of separate funding for community schools

One strategy that has been suggested to address the tension between traditional school districts and community schools is to eliminate the community school transfer from school districts' SF-3 forms. This could be accomplished by funding community schools directly using separate SF-3 forms. Such a strategy would help reduce the school districts' perceived loss of local funds. Both districts and community schools would receive state funds based on the number of students enrolled during the October count.

In addition, separate SF-3 forms would allow the loss of students to community schools to be included in the calculation of the three-year average for traditional school districts. This would buffer districts' loss of state funds resulting from declining enrollment, which is the original purpose of the state's three-year average funding policy.

While this change would allow school districts to receive the benefit of the three-year average for the loss of community school students, it would result in a substantial cost to the state. LOEO estimates a two year cost of $154 million to the state if all current community school students are removed from their district of residences' enrollment and buffered by the

three-year average. Even if districts are not given credit for *current* community school students and can only factor in *future* losses, the cost to the state is still considerably high.

Eliminating the community school transfer from school districts' SF-3 forms could reduce the tensions between traditional and community schools. However, given that it would result in a substantial cost to the state, LOEO is not recommending this strategy. Appendix I contains LOEO's estimate of state costs if community schools were funded separately.

Appendices

Appendix A

Timeline of Community School Legislation and Events

Year	Legislation	Significant Community School Events
1997	**122nd General Assembly** **Am. Sub. H.B. 215 (June 1997)** • Established "pilot" community school program in Lucas County. • Did not allow community school contracts in Lucas County to extend beyond 2003. • Allowed any district in the state to convert a classroom, a wing, or an entire school building into a community school – called "conversion" schools. • Made conversion schools permanent so long as their contracts are renewed (every one to five years). • Required school districts to transport community school students. **122nd General Assembly** **Am. Sub. S.B. 55 (August 1997)** • Permitted start-up community schools in any "Big Eight" district.	• Application process began for schools seeking sponsorship from the Lucas County Educational Service Center and the State Board of Education.
1998	**122nd General Assembly** **Am. Sub. H.B. 770 (June 1998)** • Made minor changes regarding special education, Disadvantaged Pupil Impact Aid (DPIA) and all-day kindergarten funding for community school students.	• Five community schools began operating in Lucas County. • Ten community schools began operating in six of the "Big Eight" districts. • A total of 15 community schools operated with approximately 2,300 students.
1999	**123rd General Assembly** **Am. Sub. H.B. 282 (June 1999)** • Made the Lucas County "pilot" program permanent, allowing the community schools initiative to continue in Lucas County beyond 2003, although individual community schools are subject to their original contract length. • Expanded the community schools initiative to allow start-up community schools in: ▪ any of the 21 largest urban districts in the state; and ▪ any district determined to be in "academic emergency." • Established the Office of School Options within the Ohio Department of Education to provide statewide technical assistance to community schools.	• 15 community schools began their second year of operation for the 1999-2000 school year. • 33 new community schools began operating during the 1999-2000 school year. • A total of 48 community schools operated during the 1999-2000 school year with approximately 9,000 students.

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Year	Legislation	Significant Community School Events
2000		• 39 new community schools began operating during the 2000-2001 school year. • Four community schools closed in 2000. • A total of 68 community schools operated during the 2000-2001 school year with approximately 17,000 students.
2001	**124th General Assembly** **Am. Sub. H.B. 94 (June 2001)** • Added career technology weights to community school state basic aid transfer amounts from traditional public school districts. • Provided exceptions to the requirement for local school districts to transport community school students. • Created the Community Schools Classroom Facilities Loan Guarantee Program.	• 28 new community schools began operating during the 2001-2002 school year. • Five community schools closed or suspended operations. • A total of 92 community schools operated during the 2001-2002 school year with approximately 23,000 students.
2002	**124th General Assembly** **Sub. H.B. 364 (December 2002)** • Adds "academic watch" school districts to those districts in which start-up community schools may be located. • Eliminates the authority of the State Board of Education to sponsor community schools. • Authorizes the Ohio Department of Education to approve entities for sponsorship of community schools. • Makes the Ohio Department of Education responsible for the oversight of sponsors of community schools and for providing technical assistance to schools, sponsors, and proposing parties in developing schools. • Limits to 225 the total number of start-up community schools that can operate statewide until July 1, 2005. Exempts school district-sponsored community schools located within their sponsoring districts from counting toward the cap. • Permits all educational service centers to sponsor start-up community schools in specified counties (including the ESC serving Lucas County which can currently sponsor schools in Lucas County). • Permits the 13 state universities or their designees to sponsor start-up community schools to serve as practical demonstrations of teaching methods, technology, or practices that are included in their teacher preparation programs.	• 27 new community schools began operating during the 2002-2003 school year. • Four community schools closed or suspended operations. • 133 community schools operated during 2002-2003 school year with approximately 33,000 students. • There were 10 sponsors at the beginning of the 2002-2003 school year (7 of these were individual school districts). • A total of $290 million in state funding has been deducted from traditional schools and transferred to community schools for fiscal years 1999 through 2002.

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Year	Legislation	Significant Community School Events
2002	**Sub. H.B. 364 (cont.)** • Permits federally tax-exempt entities that meet certain conditions to sponsor start-up community schools. • Requires community schools established after the bill's effective date to be "public benefit corporations." • Specifies contractual duties of community school sponsors. • Permits the renewal of a community school contract for any length of time. • Permits a sponsor to declare a community school under its sponsorship to be in a probationary status under certain conditions rather than suspend the operation of the school or terminate its contract with the school. • Specifies the organization of a community school governing authority. • Prioritizes the distribution of the assets of a closed community school. • Permits a community school to borrow against future revenue for an unspecified period of time. • Requires community schools to comply with certain school attendance laws, including those regarding truant students. • Applies the third grade reading guarantee (and the current fourth grade reading guarantee effective until July 1, 2003) to community schools. • Requires community schools to provide intervention services to students whose scores on diagnostic assessments show that they are unlikely to meet statewide academic standards. • Directs community schools to adopt a policy governing the conduct of academic prevention/intervention services for students. • Permits single-gender community schools. Permits the establishment of community schools for gifted students. • Requires electronic community schools to develop a plan for ensuring that teachers conduct face-to-face visits with their students. • Permits electronic community schools to provide less than one computer per enrolled student residing in the same household at the request of the students' parent. • Makes changes in the law regarding the suspension of operation of a community school. • Makes changes in the law regarding the transportation of community school students. • Permits all community schools to participate in the Community Schools Classroom Facilities Loan Guarantee Program and permits loans guaranteed under the program to be used for new construction of school buildings. • Permits community schools to lease-purchase property.	

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Year	Legislation	Significant Community School Events
2002	**Sub. H.B. 364 (cont.)** • Creates the Community School Revolving Loan Fund. • Requires academic performance data for conversion community schools to be included on the report cards issued for their sponsoring school districts. • Prohibits, generally, a community school or school district from offering a monetary or in-kind incentive to a student or a student's parent for enrollment. • Changes the calculation of DPIA by using an annual count of students living in poverty and receiving public assistance rather than a five-year average as currently required.	

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Appendix B
Legislative Mandate for LOEO Studies of Community Schools

The Legislative Office of Education Oversight (LOEO) is required by statute to evaluate community schools over a six-year period and develop a series of reports. The 122nd General Assembly included the following provisions in its budget bills, Amended Substitute House Bill 215 (June 1997) and Amended Substitute House Bill 770 (May 1998):

Section 50.52.2 of Am. Sub. H.B. 215 requires:

"...Within ninety days of the effective date of this section, the Director of the legislative office of education oversight . . . shall develop a study design for the evaluation of the pilot project schools and the overall effects of the community school pilot project. The study design shall include the criteria that the office will use to determine the positive and negative effects of the project overall, and the success or failure of the individual community schools. The design shall include a description of the data that must be collected by the Superintendent and by each community school and sponsor and a timeline for the collection of the data. The office shall notify each community school of the data that must be collected and the timeline for collection of the data. Data shall be collected at regular intervals, but no evaluation of the results of data collected shall be made by the office prior to June 2001. A preliminary report, together with any recommendations to improve the project, shall be issued to the Speaker of the House of Representatives and the President of the Senate by June 30, 2001. A final report, with recommendations as to the future of community schools in Ohio, shall be made to the Speaker and the President by June 1, 2003."

Section 50.39 of Am. Sub. H.B. 215 requires:

"...By December 31, 2002, the legislative office of education oversight shall complete an evaluation of the assets and liabilities to the state's system of educational options that result from the establishment of community schools under this act. The evaluation shall at least include an assessment of any advantages to providing a greater number of education choices to Ohio parents, any detrimental impacts on the State education system or on individual school districts, and the effects of attending community schools on the academic achievement of students."

Section 3314.12 of Am. Sub. H.B. 770 requires:

"...The legislative office of education oversight shall produce and issue an annual composite informational report on community schools . . . to the Speaker of the House of Representatives, the President of the Senate, and the Governor. The report shall include the number of schools in operation, the size and characteristics of enrollment for the schools, the academic performance of the schools, the financial status of the schools, and any other pertinent information."

Section 50.52.5 of Am. Sub. H.B. 770 requires:

"...The school governing authority will submit an annual report of its activities and progress in meeting the goals and standards of divisions (A)(3) and (4) of this section and its financial status to the sponsor, the parents of all students enrolled in the schools, and the legislative office of education oversight. The financial statement shall be in such form as shall be prescribed by the Auditor of State."

The 123rd General Assembly added the following provision in Am. Sub. H.B. 282 in June 1999:

Section 3314.03(11)(g):

"...The school will collect and provide any data that the legislative office of education oversight requests in furtherance of any study or research that the general assembly requires the office to conduct, including the studies required under section 50.39 of Am. Sub. H.B. 215 of the 122nd General Assembly and section 50.52.2 of Am. Sub. H.B. 215 of the 122nd General Assembly, as amended."

The Ohio Revised Code 3314.03 (A)(11) requires:

"...(g) The school governing authority will submit an annual report of its activities and progress in meeting the goals and standards of divisions (A)(3) and (4) of this section and its financial status to the sponsor, the parents of all students enrolled in the school, and the legislative office of education oversight. The school will collect and provide any data that the legislative office of education oversight requests in furtherance of any study or research that the general assembly requires the office to conduct, including the studies required under Section 50.39 of Am. Sub. H.B. 215 of the 122nd General Assembly and Section 50.52.2 of Am. Sub. H.B. 215 of the 122nd General Assembly, as amended."

Appendix C

Legislative Changes that Address LOEO Recommendations From Previous Community School Reports

LOEO Recommendations	Legislative Action
Facilities	
First-Year Implementation Report (April 2000) No formal recommendations	
Second-Year Implementation Report (April 2001) LOEO recommends that the General Assembly consider some or all of the following: • Provide capital funding to community schools on a per-pupil basis – either for leasing or construction. • Create incentives for school districts, government agencies, and other organizations to provide community schools with unused facility space at lower costs. • Provide community schools access to tax-exempt financing. • Provide community schools with access to low-interest loan pools. The state could provide a pool of dollars from which community schools could borrow money with low-interest rates. • Extend the length of time that a community school can borrow money for facilities, perhaps the length of the school's contract.	Amended Substitute House Bill 94 (June 2001) 124th General Assembly • Created the Community Schools Classroom Facilities Loan Guarantee Program. This program does not provide facility loans directly to community schools. Rather, it helps community school governing boards acquire loans from financial institutions for leasing, purchasing, or renovating a facility. The program guarantees lenders up to 85% of principal and interest of loans. The aggregate liability for the state is $10 million; the maximum for any one loan is $1 million for purchase of a facility or $500,000 for improvement to leased property, if community schools default. • Required school districts disposing of a school building to first offer them to community schools at a "fair market" cost. Substitute House Bill 364 (December 2002) 124th General Assembly • Permit all community schools to participate in the Community Schools Classroom Facilities Loan Guarantee Program. This program allows loans to be used for new construction of school buildings.

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LOEO Recommendations	Legislative Action
Transportation	
First-Year Implementation Report (April 2000)	
LOEO recommends the Ohio General Assembly:	Amended Substitute House Bill 94
• Provide a timely remedy to address the transportation problems expressed by both community schools and traditional school districts. LOEO anticipates that more than one solution may be needed to resolve these transportation problems. Possible courses of action include:	• The board of education of each school district must provide transportation to and from school for its native students who enroll at a community school on the same basis that it provides transportation for its native students.
1. Continue to require local districts to transport community school students, but enact *explicit* legislation about the conditions when they *must* do so, conditions under which they *may* employ other alternatives, and the conditions which would *exempt* them from this requirement. These conditions would include distances, number of special needs students, financial condition of the district, district attendance lines, number of students, time of day stipulations, and whether the community school is a "start-up" or a conversion school.	• This transportation can be deemed "unnecessary and unreasonable" and thus not be provided as long as the Superintendent of Public Instruction confirms this judgment made by a school board.
	• A school district is not required to transport non-handicapped students to and from a community school located in another school district if the transportation would require more than thirty minutes of direct travel time. A school board may instead pay the parent/guardian for the cost of transportation. This payment amount is not specified in the bill, but "in no event shall exceed the average transportation cost per pupil, which shall be based on the cost of transportation of children by all boards of education in this state during the next proceeding year."
2. Continue to require local school districts to transport community school students, but provide districts with supplementary funds for purchasing or leasing additional buses.	
3. Absolve school districts from the obligation to transport community school students and provide stable funds to community schools for transporting their own students. Among the questions to be addressed in pursuing this option is how much money community schools should receive (bearing in mind that school districts are currently reimbursed for only a portion of their total transportation costs), and what transportation services would be available to community schools in rural areas.	Substitute House Bill 364
	• Codifies the current practice of the Ohio Department of Education concerning payment instead of providing transportation. The bill outlines steps that a school district must take to provide payment instead of transportation.

LOEO Recommendations	Legislative Action
4. Allow community schools to determine whether or not they want to transport their own students or have the school district transport them, and fund community schools and school districts accordingly.	1. The school's governing board must consider the time and distance required to transport, the number of pupils, the cost of providing transportation, whether similar or equivalent service is provided to other pupils eligible for transportation, whether additional service disrupts current transportation plans, and whether other types of reimbursable transportation are available. 2. The board may then pass a resolution on the impracticality of the transportation. 3. This must then be reported to the State Board of Education. Under current law, this resolution is also submitted to the ESC. If the ESC considers the transportation practical, then the transportation must be provided. If the ESC concurs that it is impractical, then the board must proceed as follows: a) Payment is offered and accepted by the parent. The Department establishes the payment range with the upper amount equaling the average cost of pupil transportation. Payment can be prorated. b) If the parent rejects the payment, the Department, upon the parent's request, must provide mediation. Transportation is required during the mediation and there are sanctions for failure to transport during the mediation period. If mediation fails, a hearing must be held under O.R.C. 119. Amended Substitute House Bill 94 • A community school's governing body may enter into an agreement and arrange and provide for a district's native students to be transported to and from the community school as long as: ▪ The agreement is submitted to the Department of Education by the deadline;

LOEO Recommendations	Legislative Action
• LOEO recommends the Ohio Department of Education require school districts to separate community school students from their own when reporting transportation data.	▪ It specifies qualifications such as the minimum distance from the school that a student must live to receive transportation. • A community school governing board that enters into an agreement to provide transportation must transport, free of any charge, each of its enrolled students in grades kindergarten through eight who live more than two miles from the school (unless the school makes a payment to the parent/guardian instead of providing this transportation). If the student is handicapped or disabled, and the student's individualized education program (IEP) calls for the provision of arrangement of transportation, the community school must provide or arrange this transportation for free. The governing board can provide or arrange transportation for any other enrolled student and may charge a transportation fee. • If a school district board and a community school governing authority elect to enter into an agreement under this section, the state pays the community school for each of the enrolled students for whom the school's governing authority provides or arranges transportation to and from school. The Ohio Department of Education deducts the payment from the State payment under Chapter 3317 and, if necessary, sections 321.14 and 323.156 of the O.R.C. that is otherwise paid to the school district in which the student enrolled in the community school resides. • A community school is paid under this division only for students who: ▪ live more than one mile from the school; ▪ who are disabled and whose individualized education program requires transportation; and ▪ whose transportation to and from school is actually provided or arranged or for whom a payment in lieu of transportation is made by the community school's governing authority.

LOEO Recommendations	Legislative Action

	• It is the community school's responsibility to provide data and other necessary information to the Ohio Department of Education to receive transportation funding. Community schools are required to use this money to transport the students who meet the requirements. The amount was $450 dollars for fiscal year 2002 and is multiplied by the negative or positive percentage of change in the Consumer Price Index thereafter.
	
	• Transportation provided or arranged for by a community school (with the exception of payment in lieu of providing transportation) is subject to all provisions of the O.R.C. and all rules adopted under the O.R.C. pertaining to the construction, design, equipment, and operation of school buses and other vehicles transporting students to and from school.
	
	Substitute House Bill 364
	
	• Adds additional criteria to this transportation contract agreement:
	  ▪ The Superintendent of Public Instruction must certify that the transportation provided by the community school is subject to all provisions of the O.R.C. and administrative law pertaining to pupil transportation;
	  ▪ The school sponsor must also sign the transportation agreement.
	
	• Replaces language in Am. Sub. H.B. 94 with a general requirement for the community school to provide transportation free of charge for each of its enrolled students who are eligible for transportation under the general law governing transportation of public and nonpublic pupils.
	
	• Specifies that the payment schedule for payment in lieu of transportation be specified in the contract.
	
	• Restates that the community school can charge a fee up to the cost of transportation to transport any other enrolled students.

LOEO Recommendations	Legislative Action
Second-Year Implementation Report (April 2001) LOEO recommends the Ohio General Assembly: • Provide a timely remedy to address the transportation problems expressed by both community schools and school districts. The following three options could be considered: Option A – In order to give community schools more control over their calendars, daily schedules, and the quality of their transportation services, the Ohio General Assembly could: 1. Absolve school districts from having the primary responsibility to transport community school students and require instead that community schools transport their own students. 2. Pay community schools 100% of the state average operating cost for each community school student that requires transportation. Any vehicles used to transport community school students would be required to meet minimum safety requirements as established by the State Board of Education. 3. Pay community schools 100% of the cost to purchase or lease school buses, should the school decide not to contract for transportation services.	• Replaces the provision regarding the payment schedule and requires that the payment schedule be specified in the contract. • Includes a new section on transporting post-secondary enrollment option students. If a community school provides or arranges transportation for students in grades 9-12, then the parents of certain post-secondary enrollment options students may apply to the board for partial or full reimbursement of the transportation to the higher education institution.

LOEO Recommendations	Legislative Action
4. If a community school determines that district-provided transportation is its best option, require the school district to contract with the community school to provide transportation services. As part of this contracting process, a district would receive the full amount of transportation dollars that would otherwise have gone to the community school. Because this amount would cover the full cost of transporting community school students, a district would be required to negotiate in good faith with a community school by accommodating its time-of-day and school calendar needs. Any legislation to implement this option should try to balance the community school's need to work within its own schedule and the school district's need to operate its transportation system efficiently. Contracts between a district and a community school would need to be written in such a way that their terms would be short enough to allow a community school to pursue alternate providers (if it so desires) and long enough to ensure that a district's investment in buses and drivers is worthwhile. Option B – To provide additional transportation funding that takes into account the wide dispersion of community school students and accommodates the scheduling needs of community schools, the Ohio General Assembly could: 1. Continue requiring school districts to transport community school students. 2. Provide school districts with *increased reimbursement* for the operating costs of transporting community school students. This amount would be higher than what they would receive for transporting their own students and students attending nonpublic schools. In FY 2002, the state plans to reimburse districts 57.5% of the model operating costs associated with transporting traditional public, nonpublic, and community school students alike.	

LOEO Recommendations	Legislative Action
3. Pay school districts 100% of the cost to purchase or lease additional buses for transporting community school students. (Current law only allows 100% state subsidies for buses purchased or leased to transport nonpublic school students or students with disabilities.) 4. Because school districts would receive increased reimbursement from the state for the operating costs associated with transporting community school students and because districts would be eligible for 100% state subsidies to purchase or lease new buses, districts would be required to negotiate in good faith with community schools by accommodating their scheduling needs and preferences for yellow bus service. Option C – To provide school districts with equivalent funding for transporting community school students as is currently provided for nonpublic students and students with disabilities, the Ohio General Assembly should: 1. *At a minimum*, pay school districts 100% of the cost to purchase or lease additional buses for transporting community school students. (Current law only allows 100% state subsidies for buses purchased or leased to transport nonpublic school students or students with disabilities.) Under this option the law would continue to: 2. Require school districts to transport community school students. 3. Reimburse school districts for the operating costs of transporting community school students at the same level as is provided for other public school students (57.5% for FY 2002).	

LOEO Recommendations	Legislative Action
501(c)(3) Federal Tax-Exempt Status	
Second-Year Implementation Report (April 2001)	
LOEO recommends the Ohio General Assembly:	Substitute House Bill 364
• Require community schools to receive federal tax-exempt status. Because federal tax-exempt status requires a longer period of time to establish than does state nonprofit status, allow community schools to establish federal tax-exempt status after they have signed their contract with their sponsor.	• A community school shall be established as a nonprofit corporation or a public benefit corporation, which is either a tax-exempt entity as defined in the Internal Revenue Code, or is organized for a public of charitable purpose. • It is the intent of the General Assembly that no state money be used for any taxes (local, state, and federal income taxes, sales taxes, and personal and property taxes).
Management Companies	
First-Year Implementation Report (April 2000)	
No formal recommendations	
Second-Year Implementation Report (April 2001)	
LOEO recommends that community schools with governing boards using for-profit management companies:	Substitute House Bill 364
• Review their management agreements and governing structure to ensure that the school's governing board is in sole control of school operations, to better facilitate approval of federal tax-exempt status.	• Governing boards of new start-up community schools shall consist of no less than five individuals who are not owners or employees, or immediate relatives of owners or employees, of any for-profit firm that operates or manages a school for the governing authority. • A community school shall be established as a nonprofit corporation or a public benefit corporation.

LOEO Recommendations	Legislative Action
Annual Reports	
First-Year Implementation Report (April 2000)	
LOEO recommends community schools: • Become familiar with and adhere to community school law and contractual agreements regarding accountability. • Develop a strategy for measuring and providing clear evidence of the extent to which their stated educational goals and student outcomes are accomplished. • Assess parent satisfaction and develop strategies to gather and analyze feedback from parents, when they have contractually promised to do so.	
LOEO recommends sponsors of community schools: • Become familiar with community school law and hold community schools responsible for accountability measures. • Provide clearly written guidelines to each community school for annual reports, including expectations of content and deadlines for completion and dissemination. • Expect clearly stated performance standards from each community school upon which the sponsor will evaluate the success of the school.	
Second-Year Implementation Report (April 2001)	
LOEO recommends community schools: • Improve the contents of their annual reports. Provide financial information in annual reports and be clear about how, and to what extent, they are achieving *all* of the academic goals. • Assess parent satisfaction and develop strategies to gather and analyze feedback from parents, when they have contractually promised to do so.	Substitute House Bill 364 • Specified the due date of community school annual reports within four months after the end of each school year.

LOEO Recommendations	Legislative Action
Admissions and Lottery	
Second-Year Implementation Report (April 2001)	
LOEO recommends that the Ohio General Assembly: • Adopt language to provide more guidance to community schools regarding when and how a lottery should take place. One possibility is to specify that community schools establish a given enrollment period, at the end of which time a lottery would be conducted to determine admissions, if the number of applications exceeds capacity. Community schools could be allowed to set the length of the enrollment period, with the Ohio General Assembly specifying a minimum length of time to allow parents to learn about the school and submit their applications.	

Appendix D

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Appendix E
School District and Community Schools Expenditures Per Pupil
Fiscal Year 2001

District	Total Expenditures Per Pupil
Dayton City	$9,592
Canton City	$9,406
Cleveland City	$9,405
Cincinnati City	$9,183
Columbus	$9,078
Akron City	$8,375
Youngstown City	$8,371
Toledo City	$7,860
Community School	**Total Expenditures Per Pupil**
M.O.D.E.L.*	$30,203
Jades Academy*	$19,301
Meadows Choice*	$17,974
Northwest Ohio Building Trades	$13,770
Citizens' Academy	$11,244
Aurora Academy	$9,845
Hope Academy Lincoln Park	$9,037
Hope Academy University	$8,596
Teresa A. Dowd School	$8,349
Hope Academy Brown Street	$7,596
The Edge Academy	$7,495
Performing Arts School of Toledo	$7,237
Richard Allen Academy	$7,159
City Day	$6,843
Toledo Village Shule	$6,759
Hope Academy Chapelside	$6,443
Hope Academy Cathedral	$6,377
Hope Academy Broadway	$6,355
Youngstown Community School	$6,311
Eagle Heights Academy	$6,271
Old Brooklyn Montessori School	$6,093
World of Wonder (WOW)	$5,945
P.A.S.S.	$5,670
Toledo Academy of Learning	$4,864
Toledo School for the Arts	$4,340

*Special needs schools

Average and Median Expenditures Per Pupil

	Average	Median
Big Eight	$8,909	$9,131
Community School	$9,203	$7,159
Community School (excluding three special needs schools)	$7,391	$6,801

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Appendix F
The Community School Classroom Facilities Loan Guarantee Program

In 2001, the 124th General Assembly in Amended Substitute H.B. 94 created the Community School Classroom Facilities Loan Guarantee Program (LGP). It also directed the Ohio School Facilities Commission (Commission) to develop and impose standards and procedures for the LGP and to provide guarantees of loans to the governing authorities of start-up community schools for acquiring classroom facilities. The LGP, therefore, does not provide funds directly to community schools. Rather, it helps community school governing boards acquire loans from a financial institution for the sole purpose of acquiring a classroom facility by lease, purchase, or remodeling an existing facility. The LGP guarantees lenders that the state would provide up to 85% of the total principal and interest of the loan if the community school should default on the loan.

The original purpose of the LGP was to assist community schools in acquiring classroom facilities by any means except new construction. Classroom facilities include existing buildings, used modular buildings, furnishings, technology infrastructure, building renovations, leasehold improvements, and related closing costs. The LGP has a maximum *aggregate* liability of $10 million. The maximum state liability for any *one* loan is $1 million for loans to purchase a facility or improve a school-owned facility and $500,000 for loans for leasehold improvements.

The Community School Facility Loan Guarantee Review Committee (Committee) reviews applications for the LGP and recommends them for approval by the Commission. Members of the Committee are appointed by the Executive Director of the Commission and include representatives from the charter school community, the banking community, the Ohio Department of Education, and others who can help in assessing risk and protecting the State's interest in the loan guarantees. The recommended applications are presented to the Commission for conditional approval, which authorizes the Executive Director to close on the guarantee after all conditions and requirements have been met.

In March 2002, the Community Schools Guaranteed Loan Selection Committee reviewed 14 applications for the first round of the program. It approved six of those applications for a total of approximately $3.7 million in loan guarantees, which is well within the $3 million to $5 million target for the first round. Most of the schools are using these funds to purchase and improve existing buildings; however, one is refinancing an existing lease purchase agreement on modular buildings.

The Commission will monitor the financial condition of schools receiving loan guarantees by reviewing the annual reports, financial statements and budgets, quarterly board financial reports, and monthly ODE Community School Payment Reports. If this monitoring reveals that default is possible, the Commission and ODE may work with the community school, the Lender, and the landlord (if applicable) to take steps to avoid default. Guaranteeing a loan, however, does not ensure the continued existence of a community school.

Passage of Substitute House Bill 364 resulted in several changes to the LGP. These changes include:

- Allow conversion community schools to apply for loan guarantees;
- Change the definition of classroom facilities;
- Specify that LGP loans may be used to improve or replace, in addition to acquire, classroom facilities;
- Permit the guaranteed loans to be used for new construction; and
- Require that facilities meet applicable health and safety standards established for school buildings rather than Ohio School Facilities Commission specifications.

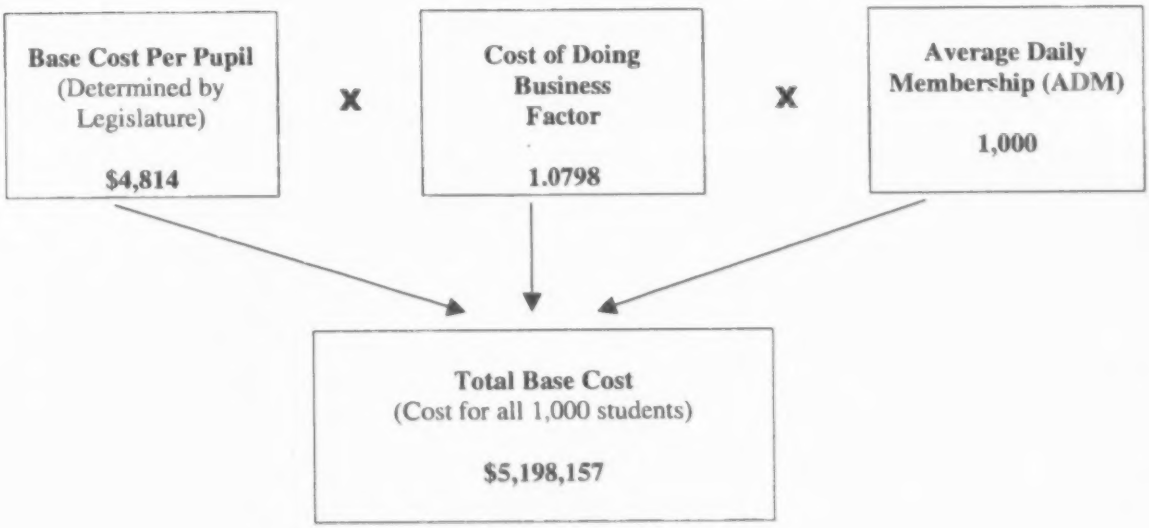
Appendix G
Ohio School Funding Formula

This appendix describes how community schools are funded by state, not local, dollars.

Total base cost amount

In its simplest form, the state funding formula guarantees that a school district will have a certain "total base cost" amount for the students it instructs. This base cost amount takes into account the per pupil base cost amount established by the legislature ($4,814 for FY 2002), a school district's cost of doing business, and its average daily membership (ADM). In Exhibit 1, a hypothetical school district whose cost of doing business factor is 1.0798 and whose ADM is 1,000 students is guaranteed to receive a total base cost of $5,198,157.

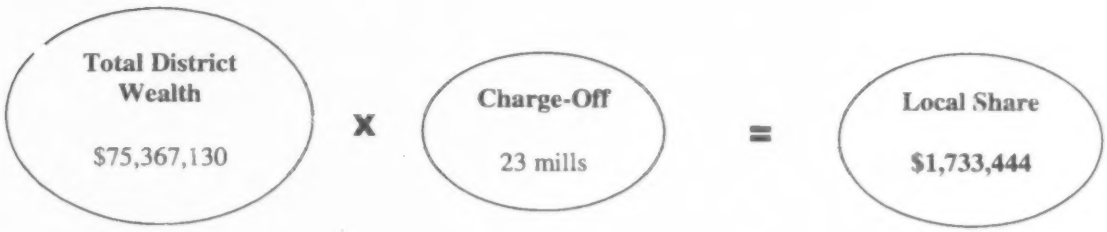
Exhibit 1



Local share

A school district is responsible for using local tax dollars to pay a *fixed* share of the total base cost amount that is needed to educate its students. The local share is calculated by multiplying the district's property wealth by 23 mills (charge-off), as illustrated in Exhibit 2 for a hypothetical district.

Exhibit 2

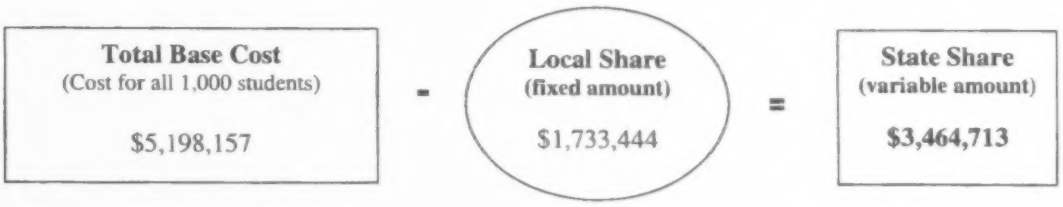


Because the local share is based upon property wealth, rather than the average daily membership (ADM), *a loss or gain in students does not impact the amount of local money a district is required to contribute.*

State share

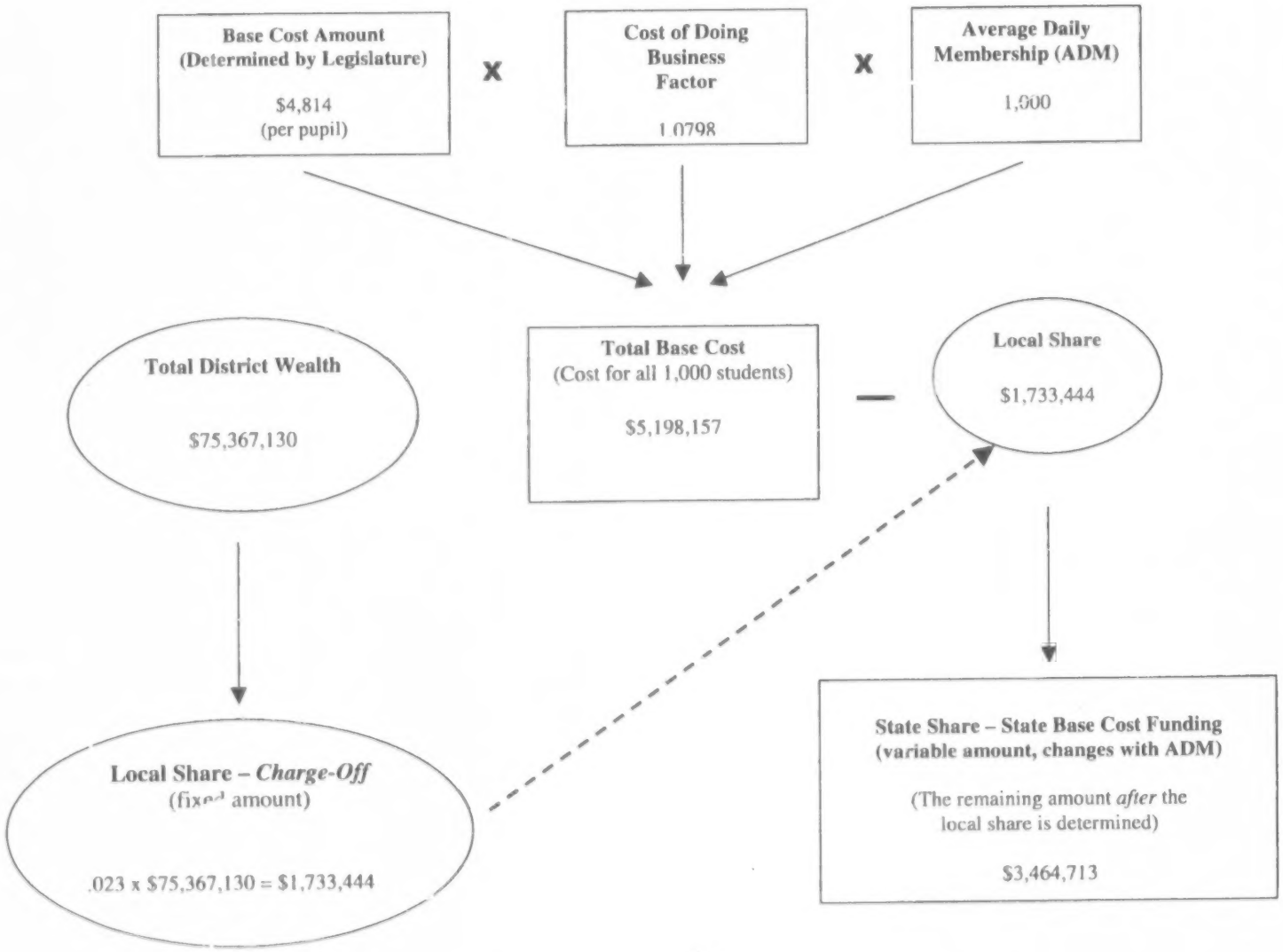
Once the local share is subtracted from the district's total base cost amount, the state is responsible for providing any amount thereafter. Unlike the local share, which is a fixed amount based upon property wealth, *the state share fluctuates depending upon increases or decreases in the average daily membership (ADM).* This is illustrated in Exhibit 3.

Exhibit 3



See Exhibit 4 for an illustration of how all these pieces operate together in Ohio's school funding formula.

Exhibit 4
How the Base Cost Funding Formula Works



Effect of students transferring to community schools

To see how community school enrollment actually affects a school district's finances, it is instructive to compare how a school district's state funding is impacted by a loss of students to community schools versus a loss of the same number of students to private schools. Certainly no one would claim that a district loses any local funds when students transfer to private schools. Yet, the financial effect on the district's base cost funding is the same.

Exhibit 5 demonstrates the effect of school transfers on a hypothetical district of 1,000 students, with no students leaving the district (Scenario A); when 100 students transfer to private schools (Scenario B); and, when 100 students transfer to community schools (Scenario C). For illustration purposes, it is assumed that the hypothetical district has a cost of doing business factor (CODBF) of 1.0798 and a total adjusted tax value of $75,367,130. It is also assumed that the base cost formula amount per pupil is $4,814 (FY 2002).

Exhibit 5
The Effect of Students Transferring to Private Schools or Community Schools

		Scenario A (No Students Leave the District)	Scenario B (100 Students Transfer to Private Schools)	Scenario C (100 Students Transfer to Community Schools)
	Students Attending District Schools:	1,000	900	900
	Transfers:	0	100 to private schools	100 to community schools
1	FY 2002 base cost formula amount	$4,814	$4,814	$4,814
2	CODBF	(x) 1.0798	(x) 1.0798	(x) 1.0798
3	Adjusted base cost per pupil	(=) $5,198	(=) $5,198	(=) $5,198
4	ADM	(x) 1,000	(x) 900	(x) 1,000
5	Total base cost	(=) $5,198,157	(=) $4,678,341	(=) $5,198,157
6	23 mill charge-off (.023 x $75,367,130)	(-) $1,733,444	(-) $1,733,444	(-) $1,733,444
7	Total state base cost payment (before transfer to community school)	(=) $3,464,713	(=) $2,944,897	(=) $3,464,713
8	State payment to community schools	(-) 0	(-) 0	(-) $519,816
9	Actual state base cost payment	(=) $3,464,713	(=) **$2,944,897**	(=) **$2,944,897**
	State share percentage (before community school deduction)	*67%*	***63%***	*67%*
	State share percentage (recalculated after community school deduction)			***63%***

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As shown in Exhibit 5, the dollar amount paid to the district under Scenario C, line nine ($2,944,897) is the same paid under Scenario B. In other words, the district's aggregate state base cost payment is the same whether the 100 students transfer to community schools or private schools. Furthermore, the district, under all three scenarios, continues to contribute the same amount of property taxes ($75,367,130); see line 6, because the local share is not based upon ADM. If no local dollars follow a student to a private school, then no local dollars follow that student to a community school. The amount a district contributes does not change when a community school opens; it remains constant.

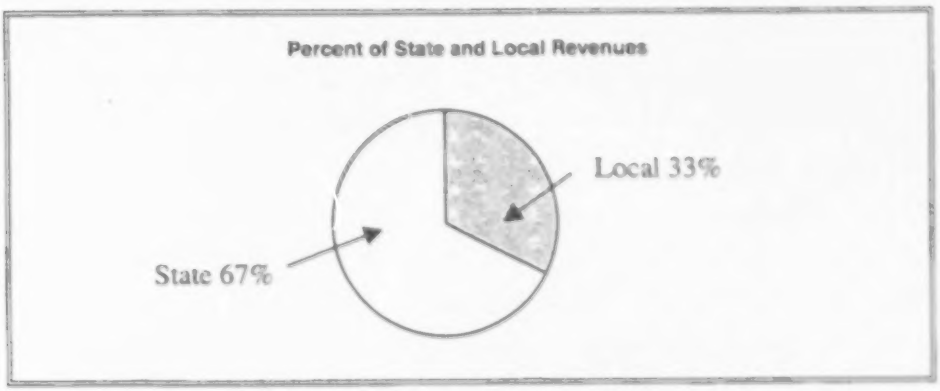
As you can see from the previous examples, no local money is transferred to community schools. When a school district loses students to community schools, that school district's state share of the total base cost amount is adjusted accordingly. For example, under Scenario C, line 8 ($519,816) is subtracted from line 7 ($3,464,713), resulting in $2,944,897 going to the district. LOEO does not agree that community schools take local tax dollars.

The only way local money could be lost by a school district is if so many students transferred to community schools that the state contribution would be less than the local contribution. Only if all the students that are funded with state dollars leave the district first, will the district begin to lose local dollars.

Why is there confusion over whether or not local dollars flow to community schools?

It is common to look at the end product of the state's funding formula and determine the proportions of state and local funding. In Exhibit 6, when no students transfer out of the school district, 67% of the district's total base cost comes from state revenues, while the remaining 33% comes from local revenues.

Exhibit 6



While these percentages illustrate the state and local shares that contribute to a district's base cost funding, these percentages are **not** a component of the formula. Such percentages are the end result of the base cost funding formula.

LOEO speculates that there are a few reasons why school districts "feel" as though they are losing local tax dollars to community schools.

First, as LOEO stated in it second-year implementation report, the loss of state dollars to community schools may affect a district's ability to provide for the education of students who remain in district-operated schools. LOEO found that community school students are drawn from numerous school buildings and grade levels. Such dispersion makes it difficult for districts to close a school or eliminate a classroom or teacher to compensate for less state funding. If a school district loses state funds, but its costs do not actually decrease proportionally, the district will have less money overall to educate its students. It is important to note however that the district will still have the base cost amount per pupil as guaranteed by the funding formula.

Secondly, school districts may notice that their percent of state dollars are decreasing, which means their percent of local dollars is increasing. However, such a change in percentages occurs when *any* student leaves a school district to attend a private school, another school district, or a community school. (LOEO recognizes that state dollars do not follow students to private schools the way they follow students to public community schools.)

Finally, school districts are accustomed to thinking about school funding on a per pupil and percentage basis. For example, 33% per pupil comes from local funds and 67% per pupil comes from state funds. As a result of this thinking, a school district assumes that when a student leaves to attend a community school, the per pupil base cost amount that follows the student is 67% state dollars and 33% local dollars. However, the base cost formula does not operate in this manner.

Appendix H
Details of Community School Deductions and Projections

The following table shows the annual Big Eight districts' community school transfer amounts for fiscal years 1999-2002.

Four-Year Community School Transfer Amounts for the Big Eight Districts

District	FY 99	FY 00	FY 01	FY 02	Total
Cincinnati	$1,063,597	$9,888,464	$20,391,355	$26,999,081	$58,342,496
Cleveland	$2,883,105	$10,989,130	$15,481,356	$22,017,219	$51,370,809
Dayton	$298,936	$7,576,591	$15,006,287	$19,672,909	$42,554,722
Toledo	$1,763,781	$6,230,310	$8,318,646	$10,193,468	$26,506,205
Youngstown	$2,884,839	$4,791,692	$6,320,267	$8,407,746	$22,404,544
Akron	$1,632,503	$5,342,536	$7,062,243	$8,222,776	$22,260,057
Columbus	$117,808	$4,746,445	$5,353,084	$9,245,507	$19,462,844
Canton		$13,676	$352,362	$649,853	$1,015,892
Total	**$10,644,568**	**$49,578,843**	**$78,285,599**	**$105,408,559**	**$243,917,570**

The components of the Community School Transfer Amount (Line 22C of the SF-3 Report) include: Formula Aid (base cost), DPIA Funds, Special Education Weighted Funding, and Career-Technical Education Weighted Funding. The following table provides a breakdown of the fiscal year 2002 transfer amount for the Big Eight districts.

Community School Transfer Amount Component Breakdown
Fiscal Year 2002

District	Formula Aid (base cost)	DPIA	Special Education
Cincinnati	$22,865,570	$2,915,880	$1,217,629
Cleveland	$18,438,464	$2,894,151	$684,602
Dayton	$16,287,673	$2,839,299	$545,936
Toledo	$8,070,772	$970,804	$1,151,891
Youngstown	$6,722,538	$1,131,913	$553,293
Akron	$6,333,087	$902,682	$987,005
Columbus	$7,853,924	$1,115,516	$276,065
Canton	$309,306	$8,960	$331,586
Total	**$86,881,334**	**$12,779,205**	**$5,748,007**

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Formula aid (base cost). Of the Big Eight districts, Cincinnati had the largest formula amount deduction in fiscal year 2002 due to the large enrollment of community school students in that district.

DPIA. Disadvantaged Pupil Impact Aid (DPIA) provides a subsidy to school districts for economically disadvantaged students. The funds target all-day kindergarten; safety, security and remediation; and class size reduction. If a student who attends a community school resides in a district that is eligible for DPIA funds, those funds are included in the transfer. The DPIA total transfer amount for all eight districts was $12,779,205 in fiscal year 2002. Cincinnati had the highest DPIA transfer in fiscal year 2002.

Special education weighted funding. The same special education weighted pupil formula is used for community schools as traditional public schools. There are six special education weighted categories that are counted in the district's formula ADM. The Big Eight districts received $5,748,007 in special education funding in fiscal year 2002. Cincinnati had the highest special education transfer amount in fiscal year 2002.

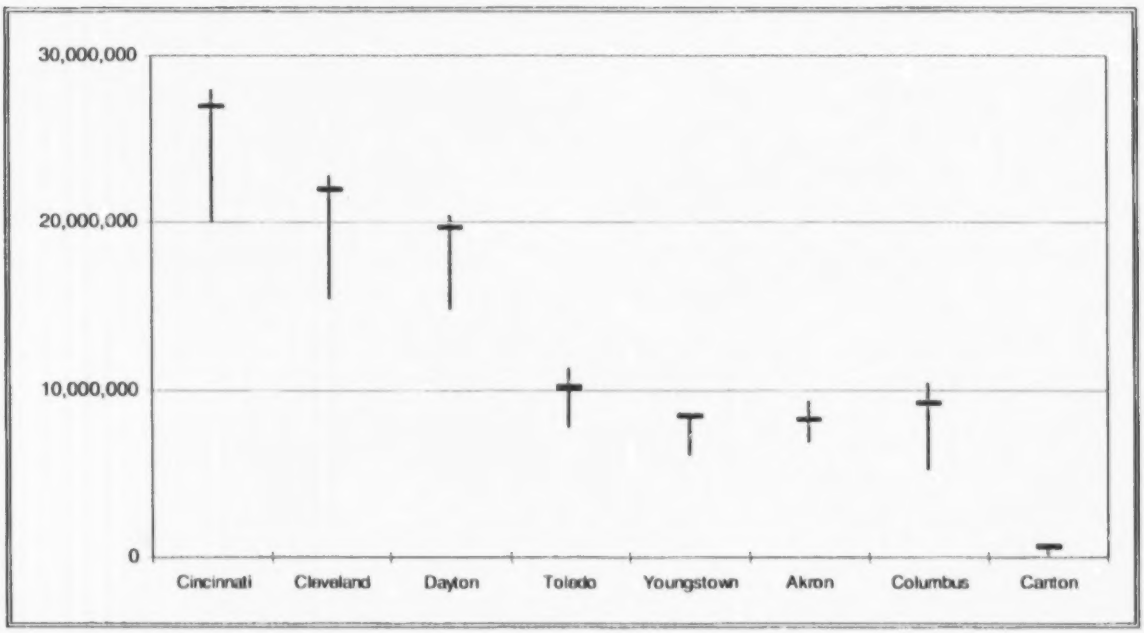
Career-technical education weighted funding. Am. Sub. H.B. 94 added career-technical education weighted funding to the community school transfer amount. Community schools must go through the same application process as traditional public schools in order to receive the funds. Nine community schools were approved to receive these funds in fiscal year 2002, but did not actually receive the funds until fiscal year 2003.

Difficulties Projecting Transfer Amounts

One of the recurring concerns voiced by traditional school district administrators is that it is difficult to project the actual number of students that leave for community schools and the funding that subsequently follows.

The typical pattern of SF-3 projections consists of a major jump in the first three months of the school year as adjustments are made up through the October count, then a leveling off throughout the rest of the year. For Cincinnati and Cleveland, the highest projection was over $7 million more than their first projection. The following exhibit depicts the range of high and low projections for the Big Eight districts. The dashes indicate the final "actual" transfer amount.

High Projections, Low Projections, and Actual Transfer Amounts for the Big Eight Districts Fiscal Year 2002



These projections vary greatly and it is difficult for the districts to plan for the effects of community schools during the course of the year. The following table contains the bi-monthly projections for each Big Eight district.

Bi-monthly Estimated Community School Transfers for the Big Eight Districts: Fiscal Year 2002

	Cincinnati	Cleveland	Dayton	Toledo	Youngstown	Akron	Columbus	Canton	Big 8 Total
7/6/01	20,004,352	15,489,882	14,787,517	8,305,935	6,146,020	6,984,018	5,340,399	333,367	77,391,489
7/20/01	24,816,858	17,481,956	18,030,028	7,768,975	6,926,169	7,807,707	7,602,165	268,151	90,702,008
8/3/01	24,816,858	17,481,956	18,030,028	7,768,975	6,926,169	7,807,707	7,602,165	268,151	90,702,008
8/17/01	25,781,905	18,680,255	17,963,512	9,145,977	7,355,122	9,351,561	9,049,845	275,037	97,603,214
9/7/01	25,781,905	18,680,255	17,963,512	9,145,977	7,355,122	9,351,561	9,049,845	275,037	97,603,214
9/21/01	27,627,489	22,012,371	18,711,798	11,283,832	7,635,871	8,681,572	10,220,306	308,610	106,481,849
10/5/01	27,627,489	22,012,371	18,711,798	11,283,832	7,635,871	8,681,572	10,220,306	308,610	106,481,849
10/19/01	27,958,194	22,769,959	20,343,583	11,241,772	7,541,015	7,704,342	10,372,807	481,377	108,413,050
11/2/01	27,958,194	22,769,959	20,343,583	11,241,772	7,541,015	7,704,342	10,372,807	481,377	108,413,050
11/16/01	27,958,194	22,769,959	20,343,583	11,241,772	7,541,015	7,704,342	10,372,807	481,377	108,413,050
12/7/01	27,958,194	22,769,959	20,343,583	11,241,772	7,541,015	7,704,342	10,372,807	481,377	108,413,050
12/21/01	27,421,458	22,452,522	19,347,738	9,749,152	7,671,359	7,491,371	8,820,265	618,080	103,571,946
1/4/02	27,421,458	22,452,522	19,347,738	9,749,152	7,671,359	7,491,371	8,820,265	618,080	103,571,946
1/18/02	26,508,258	22,262,576	19,152,130	10,184,837	7,798,847	7,776,529	8,624,890	634,452	102,942,519
2/1/02	26,508,258	22,262,576	19,152,130	10,184,837	7,798,847	7,776,529	8,624,890	634,452	102,942,519
2/15/02	27,022,693	22,138,390	19,305,686	10,209,970	7,881,621	7,777,062	8,822,065	668,772	103,826,260
3/1/02	27,022,693	22,138,390	19,305,686	10,209,970	7,881,621	7,777,062	8,822,065	668,772	103,826,260
3/15/02	26,717,050	21,828,077	19,304,728	10,153,300	8,055,444	7,790,261	9,045,204	651,309	103,545,373
4/5/02	26,717,050	21,828,077	19,304,728	10,153,300	8,055,444	7,790,261	9,045,204	651,309	103,545,373
4/19/02	26,686,689	21,807,174	19,334,454	10,168,978	7,986,486	7,899,207	8,543,680	654,515	103,081,183
5/3/02	26,686,689	21,807,174	19,334,454	10,168,978	7,986,486	7,899,207	8,543,680	654,515	103,081,183
5/17/02	26,778,595	22,081,619	19,637,884	10,246,934	8,498,033	8,306,684	9,330,074	656,816	105,536,640
6/7/02	26,778,595	22,081,619	19,637,884	10,246,934	8,498,033	8,306,684	9,330,074	656,816	105,536,640
6/21/02	26,778,595	22,081,619	19,637,884	10,246,934	8,498,033	8,306,684	9,330,074	656,816	105,536,640
Final	26,999,081	22,017,219	19,672,909	10,193,468	8,407,746	8,222,776	9,245,507	649,853	105,408,559
Low	20,004,352	15,489,882	14,787,517	7,768,975	6,146,020	6,984,018	5,340,399	268,151	77,391,489
High	27,958,194	22,769,959	20,343,583	11,283,832	8,498,033	9,351,561	10,372,807	668,772	108,413,050
Difference	7,953,842	7,280,077	5,556,066	3,514,857	2,352,013	2,367,543	5,032,408	400,621	31,021,561

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Unreliable early SF-3 projections

Ninety-two community schools were operating at the end of fiscal year 2002 and the final statewide transfer amount was $137,148,237. By the fall of 2002, 127 schools were in operation and at least another 30 had approved contracts. However, on the first projected fiscal year 2003 SF-3 report (July 2002), the statewide estimated community school transfer amount was only $136,839,580. Even though at least thirty new schools were set to open, the first report of the new year estimated a smaller transfer amount than the final figures from the previous year. The next two projections showed similar, although slightly smaller figures. The following table displays the projections for the first 15 fiscal year 2003 reports compared to the final fiscal year 2002 report.

Statewide Community School Transfer Amounts
Final Fiscal Year 2002 vs. Fiscal Year 2003 Projections

SF-3 Report		Transfer Amount
FY 02	Final Version 1 (June)	$137,148,237
FY 03	July No. 1	$136,839,580
	July No. 2/August No. 1	$133,054,934
	August No. 2/September No. 1	$152,790,869
	September No. 2/October No. 1	$166,540,255
	October No. 2/November No. 1	$184,973,644
	November No. 2/December No. 1	$185,293,897
	December No. 2	$193,859,070
	January No. 1	$196,290,317
	January No. 2/February No. 1	$196,905,948

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Appendix I

Cost of Funding Community Schools Separately Three-year Average: Hypothetical Examples

Most urban districts have experienced declining enrollment in recent years. To buffer the losses of state funding associated with these changes, the state developed the "three-year average." If a school district's enrollment declines, it receives funding based on a three-year average enrollment figure or the current year enrollment, whichever is higher. However, community school students are included in the school districts' enrollment count and the funding for community schools is deducted after the enrollment is calculated. As a result, districts do not receive the benefit of the three-year average for their loss of students to community schools.

While this reform would allow school districts to receive the benefit of the three-year average for the loss of community school students, it would result in a substantial cost to the state. LOEO estimates a two-year cost of $154 million to the state if all 33,000 current community school students are removed from their district of residences' enrollment. Even if districts are not given credit for current community school students and can only factor in future losses, the cost to the state is still very high.

One of the most substantial costs would result from the initial "drop" in enrollment when all current community school students are removed from districts' enrollment. Currently, over 33,000 students attend community schools. The three-year average only benefits districts that have declining enrollment, so every student will not represent a cost. However, the vast majority of community school students are coming from Big Eight districts that have declining enrollment, and these districts would benefit from the three-year average.

In hypothetical example A, LOEO estimates the approximate cost of 33,000 community school students who would be dropped from their school districts' enrollment if community schools were funded separately in fiscal year 2004. In this example, 30,000 of these students originate in districts that would now benefit from the three-year average. Factors such as future enrollment and local valuation are held constant.

Hypothetical Example A: Cost of Separate Funding System

FY	Community school students	Community school students from districts that will benefit from three-year average	Base Cost	Base cost funding to community schools	Three-year average funding (ADDITIONAL)
03	33,000		$4,949	$ 163,317,000	
04	33,000	30,000	$5,088	$ 167,904,000	**$ 102,268,800**
05	33,000	30,000	$5,230	$ 172,590,000	**$ 51,777,000**

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In this hypothetical case, the initial drop of 30,000 students would cost the state approximately $102 million in fiscal year 2004. Simply stated, holding other variables constant, the state pays for an additional two-thirds of a student in the first year that he/she is factored into the three-year average equation. The state buffers an additional one-third for each student in the second year. Thus, the additional cost for these 30,000 students would be over $51 million in fiscal year 2005. To fund community schools separately and allow districts to fully benefit from the three-year average, the cost to the state would be approximately $154 million over two years.

Hypothetical case B estimates the cost of the three-year average of *future* community school students if the effects of past and present community school students are somehow removed from the equation. Approximately 10,000 more students are attending community schools in 2002-2003 than were attending in 2001-2002. This hypothetical case assumes similar growth, 10,000 students each year, 9,000 of which originate in districts that would now benefit from the three-year average. Other enrollment changes and local valuation are held constant.

Hypothetical Case B: Future Cost of Separate System if Past and Present Community School Students Factored Out

FY	Community school students	Community school students from districts that will benefit from three-year average	Base Cost	Base cost funding to community schools	Three-year average funding (ADDITIONAL)
03	33,000		$4,949	$163,317,000	
04	43,000	9,000	$5,088	$218,784,000	**$30,680,640**
05	53,000	18,000	$5,230	$277,190,000	**$47,070,000**

As hypothetical case B displays, allowing districts to include *only* future losses of students to community schools would cost the state over $30 million in fiscal year 2004 and $47 million in fiscal year 2005, for an estimated two-year total of $77 million. LOEO also questions whether it would be possible to create a "separate" funding system if past and present students must be accounted for (in order to be factored out) and whether it is politically feasible to include only future losses.

Allowing districts to benefit from the three-year average for the loss of community school students would buffer the loss of state funds, but would represent a substantial new cost to the state.

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Appendix J
Districts with Zero State Share of Formula Aid (FY 02)

LOEO has identified 23 districts that received zero state share of formula aid (base cost funding) in fiscal year 2002. Seventeen of these districts had a community school deduction.

While some districts received no state share of formula aid, every active school district in Ohio received some amount of state funding in 2001-2002. Even affluent districts received state funding for items such as the guarantee, gifted aid, transportation, etc. Therefore, when a district receives no formula aid, the community school transfer is deducted from a pool of *state* funds that are intended for other purposes.

The SF-3 report is an ODE-produced document that summarizes the foundation formula calculations of state funding. The following table displays the districts that received no base cost funding for fiscal year 2002, as well as their total state funding and community school transfer amount with the respective SF-3 line references.

District Name	State Share % of Formula Aid (Line 7)[1]	Foundation Total SF-3 (Line 21)[2]	Community School Transfer (Line 22C)
Princeton City	0	4,118,808	122,529
Woodridge Local	0	1,020,270	120,951
Olentangy Local	0	1,099,961	68,124
Brooklyn City	0	718,025	39,897
Sycamore City	0	2,461,221	36,329
Revere Local	0	2,160,319	36,036
Mayfield City	0	2,479,651	34,343
New Richmond Ex. Vil.	0	3,570,185	19,695
Cuyahoga Heights Local	0	420,682	17,501
Indian Hill Ex. Vil.	0	908,059	10,350
Westlake City	0	2,321,310	10,275
Lordstown Local	0	234,296	5,227
Orange City	0	1,127,100	5,138
Benton Carroll Salem Local	0	1,100,046	5,039
Danbury Local	0	557,449	4,939
Rocky River City	0	1,155,246	2,569
Perry Local	0	789,611	2,083
Kelley's Island Local	0	6,494	0
North Bass Local	0	19,882	0
Put-in-Bay Local	0	13,535	0
Beachwood City	0	925,423	0
Independence Local	0	413,915	0
Kirtland Local	0	929,934	0

[1] This represents the state share of the [base cost amount X ADM X cost of doing business factor].

[2] Foundation Total includes Base Cost Funding, Special Education, Career Tech/Adult Education, Training and Experience of Classroom Teachers, Total DPIA including Guarantee, Gifted Aid, Equity, Transportation, Additional Guarantee Amount, Parity Aid, and Reappraisal Guarantee.

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Appendix K
Disparities in Special Education Funding

The state formula for providing funding for special education students places an additional financial burden on school districts when a student with disabilities transfers to a community school. State funding for a special education student includes both the *base cost amount* ($4,949 for FY 03) and a *weight*. The weight is multiplied by the base cost amount to provide additional resources for educating that student. The size of the weight varies from 0.2892 to 4.7342, depending on the severity of the disability.

As noted in the text of this report, when a student transfers to a community school, the full base cost amount is first credited to the school district and then deducted and sent to the community school. This process happens differently for the special education funding, however. The state provides the weighted amount to a district according to the district's base cost "state share," which varies by wealth.

Some very wealthy districts receive no state share for their base cost because they can provide the $4,949 for each of their students with local funds generated by the required 23 mills of their property valuation. Very poor districts, on the other hand, can provide the $4,949 for only a small portion of their students and rely on the state to provide the rest. The proportion that the state contributes to a district's base cost funding is referred to as the "state share."

For special education funding, the weighted amount is multiplied by the "state share percent" to calculate what a school district receives from the state for that student. For example, if a student's disability warranted a weight of 0.3691 and the state share for that district was 70%, the special education weighted funding for that student would be $1,278:

Base cost:	$4,949
Special education weight:	x .3691
	$1,826
State share percent:	x .70
Special education weighted amount:	$1,278

However, if that student transfers to a community school, 100% of the weighted base cost, not 70%, is deducted from the district. That is, the district receives $1,278 from the state for that special education student, but $1,826 is deducted if that student transfers to a community school. Although this deduction is still made up of state funds, it is larger than the amount originally provided by the state for that special education student.

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